

May 2, 2018

## HSA/HDHP Update - \$6,900 is Family HSA Contribution Limit for 2018

The Internal Revenue Service (IRS) has now [determined](#) that it is in the best interest of sound and efficient tax administration to allow taxpayers to retain the original \$6,900 family Health Savings Account/High Deductible Health Plan (HSA/HDHP) contribution limit.

Employers and employees originally had been relying on the \$6,900 HSA/HDHP limit for 2018 as announced in May of 2017. But last year's tax reform bill changed a number of tax and benefit inflation adjustments, including adjustments for HSA/HDHP arrangements. As a result, the IRS released guidance in March 2018 that lowered the 2018 contribution limit in a HDHP from \$6,900 to \$6,850. See our [Update](#). IRS has now restored \$6,900 as the limit for calendar year 2018, and confirmed that all other HSA/HDHP dollar limits remain the same. IRS also addresses the treatment of distributions from an HSA of an excess contribution that were made based on the \$6,850 maximum limit issued in March:

- If an individual received a refund of \$50 to comply with the \$6,850 HSA deduction limit, he/she can repay the distribution to the HSA by April 15, 2019 and that excess distribution (plus earnings) will not be included in gross income or be subject to the 20% excise tax on excess contributions.
- Note however that HSA trustees are not required to allow individuals to repay excess distributions as described above.
- Alternatively, an individual who does not repay an HSA distribution in excess of \$6,850 for 2018 will also not have to include it in gross income or pay the 20% additional tax, provided the \$50 distribution is used to pay for qualified medical expenses.

Employers offering HDHPs will want to do the following:

- Coordinate with payroll and third-party vendors to determine the appropriate next steps to ensure compliance with the HSA contribution limits.
- Notify plan participants of the new restored \$6,900 limit and revise plan communications accordingly.

Conner Strong & Buckelew will provide alerts and updates if the IRS issues any new information on this important topic. Should you have questions, please contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220. For a complete list of Legislative Updates issued by Conner Strong & Buckelew, visit our online [Resource Center](#).



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