



March 9, 2018

HSA 2018 Family Limit Reduced

The Internal Revenue Service (IRS) has surprisingly [announced](#) that the maximum contribution limit to a Health Savings Account ("HSA") for individuals with family coverage is now decreased to \$6,850. This change poses significant operational and other issues for employer-sponsored HSA-qualified health plans based on this off-process change. Specifically, the IRS reduced the maximum family limit to an HSA from \$6,900 to \$6,850 in 2018. The individual contribution limit for 2018 remains \$3,450. The minimum deductibles for high-deductible health plans (HDHPs) also remain unchanged.

HSA contribution limits are typically announced in early May for the following tax year and generally remain unchanged throughout the tax year. This unusual mid-year adjustment to a previously announced limit is likely an unintended consequence of provisions of the 2017 tax law that changed the method of determining certain inflation-related increases. The change is effective immediately and applies to the current year, meaning any family contributions to an HSA in 2018 over \$6,850 could be subject to taxes and penalties.

Employers offering HDHPs will want to do the following:

- work with HR, payroll and any third party system administrator to revise the maximum family HSA limit in the system, and recalculate deductions for any employee who had elected to contribute up to the original \$6,900 limit; and
- notify plan participants of the new limit and revise plan communications accordingly in order to avoid excess contributions by employees enrolled in family coverage:
 - plan participant elections must be adjusted if they have elected (but not made) the maximum family HSA contribution for 2018 so that they do not exceed the \$6,850 limit.
 - plan participants must make a \$50 withdrawal (plus related earnings) if they have already made \$6,900 in HSA contributions, or be subject to excise taxes.

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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