



Health Care Reform Update



IMPORTANT NOTICE REGARDING HEALTHCARE REFORM **Update #84** **May, 2018**

HSA Contribution Limit for Family Coverage Restored to \$6,900

The IRS has released Revenue Procedure (Rev. Proc.) 2018-27, stating that the health savings account (HSA) maximum contribution amount for 2018 will be restored to \$6,900. In other words, the 2018 HSA contribution limit for an HSA owner with family coverage is now \$6,900 instead of \$6,850.

Rev. Proc. 2018-27 notes objections from stakeholders (HSA owners, financial organizations, and service providers) as the reason for this change. Many stakeholders cited unanticipated administrative and financial burdens. Some stakeholders asserted that the cost of removing \$50 plus earnings to satisfy the reduced limitation could be greater than the tax benefit an HSA owner would realize from being allowed to retain the amount in an HSA.

The IRS had earlier announced a reduction of the limit to \$6,850 in Rev. Proc. 2018-18. Originally, the 2018 family coverage contribution limit, announced in May 2017 in Rev. Proc. 2017-37, was \$6,900. But the Tax Cuts and Jobs Act of 2017 altered the formula that will be used to adjust annual contributions and associated limitations for HSAs. This change prompted the IRS to declare that the new formula would be applied to 2018 limitations. Consequently, the 2018 family coverage HSA contribution limit was retroactively reduced from \$6,900 to \$6,850.

Rev. Proc. 2018-27 addresses the issue of taxpayers who had made the maximum \$6,900 contributions then removed an amount to satisfy the IRS' reduced 2018 limitation. The IRS indicates that such an amount removed by a taxpayer as an excess contribution may instead be treated as a mistaken distribution and recontributed by April 15, 2019.

Alternatively, according to Rev. Proc. 2018-27, taxpayers who remove and retain such an amount under the excess contribution rules may retain the excess without including it in their 2018 taxable income and without paying the 20 percent additional tax normally associated with amounts removed from an HSA but not used for qualified medical expenses. This must occur by the deadline for filing their 2018 federal income tax return, including extensions. Note that this alternative does not apply to an amount attributable to an employer-made contribution unless the employer includes it in taxable employee compensation.

For more information: [Revenue Procedure \(Rev. Proc.\) 2018-27](#)

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