

IRS Provides Relief for HSA Family Limit

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Today, the IRS announced relief for taxpayers with family coverage under a High Deductible Health Plan (HDHP) who contribute to a Health Savings Account (HSA) by permitting such taxpayers to treat \$6,900 as the maximum deductible HSA contribution for 2018.

Earlier this year, the IRS had announced a \$50 reduction in the maximum deductible amount from \$6,900 to \$6,850 due to a change in the inflation adjustment calculations for 2018 under the Tax Cuts and Jobs Act. However, due to widespread comments and complaints from major stakeholders, the IRS determined that it was in the best interest of “sound and efficient” tax administration to allow taxpayers to treat \$6,900 as the 2018 family limit. In doing so, the IRS was persuaded by arguments that many individuals had already made the maximum HSA contribution for the 2018 calendar year before the deduction limitation was lowered and that many other individuals had made annual salary reduction elections for HSA contributions through their employers’ cafeteria plans based on the higher limit. The IRS also acknowledged that the costs of modifying systems to reflect the reduced maximum, as well as the costs associated with distributing a \$50 excess contribution (and earnings) (which in some cases exceeded \$50), would be significantly greater than any tax benefit associated with an unreduced HSA contribution.

The Revenue Procedure also provides guidance for individuals who may have already taken a distribution from their HSA in 2018 based on the earlier published maximum limit of \$6,850. Additional work may be in store for those employers who already communicated the lower limit to employees and correspondingly reduced employees’ cafeteria plan elections.

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