



SPECIAL ALERT

IRS ADJUSTS SPECIFIC 2018 TAX LIMITS

The IRS recently released Revenue Procedure 2018-10, which changes a number of tax limits for 2018. Most limits, annually indexed by the IRS, are determined using specific formulas. The Tax Cuts and Jobs Act, signed into law last December, changed the parameters of some of these formulas. As a result, some tax limits need to be adjusted for 2018.

NOTABLE CHANGES FOR EMPLOYEE BENEFITS PROGRAMS

1. **Health Savings Accounts (HSAs)** – In 2017, the IRS set the 2018 HSA contribution limits at \$3,450 (self-only high deductible health plan, or HDHP, coverage) and \$6,900 (family HDHP coverage). These limits were announced in IRS Revenue Procedure 2017-37. This new revenue procedure lowers the 2018 HSA contribution limit for **family** HDHP coverage to \$6,850 (a reduction of \$50). The HSA contribution limit

for self-only HDHP coverage remains unchanged at \$3,450.

2. **Adoption Assistance Programs** – Previously, the IRS set the 2018 adoption assistance program limit at \$13,840. The new revenue procedure lowers the program limit to \$13,810 (a reduction of \$30).

The contribution limits for other common employee benefits programs (e.g., health FSAs, dependent care FSAs, and transit benefits) remain unchanged.

RECOMMENDED ACTIONS

If your organization sponsors an HDHP paired with an HSA, you should take the following actions:

1. **Review Employee Elections** – Look for employees that elected the maximum family limit of \$6,900 for the HSA (or \$7,900, if over age 55). If



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your organization offers adoption assistance programs, identify any elections that could potentially exceed the new 2018 limits.

2. Correct the Maximum Elections –

Notify affected employees of the change in limits. Modify their elections to reflect the new lower 2018 maximums.

Adjust payroll contributions accordingly.

3. Amend Any Necessary Materials or Systems –

If your 2018 communications to new hires include the dollar maximums for family HSA contributions or adoption assistance, you should amend them to include the new lower maximums. You should also adjust the parameters in your benefit election systems, so employee elections cannot exceed the new lower maximum.

It is unusual for the IRS to adjust previously announced tax limits. However, since the Tax Cuts and Jobs Act took effect in 2017, the indexed amounts needed to be recalculated to reflect changes

made by the law. These corrections should have minimal impact on most employees; however, you do need to adjust deductions to

reflect the lower tax limit.

If you have any questions, please contact your Marsh & McLennan Agency Michigan Account Manager. [MMA](#)



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