# IRS Reduces HSA Family Coverage Contribution Limit for 2018, Effective Immediately

March 13, 2018

On March 5, 2018, the IRS issued Revenue Procedure 2018-18 (?ÃÂ£***Rev. Proc. 2018-18***?ÃÂ¥), which, among other things, reduced by $50 the maximum annual contribution that an employee who has elected family coverage under the employer?ÃÃs high deductible health plan (?ÃÂ£***HDHP***?ÃÂ¥) could make to his or her health savings account (?ÃÂ£***HSA***?ÃÂ¥) for 2018. Under the Internal Revenue Code, the applicable limits for HSAs are adjusted annually for any cost-of-living adjustments (?ÃÂ£***COLA***?ÃÂ¥). Prior to the recent enactment of the Tax Cuts and Jobs Act (H.R. 1) (the ?ÃÂ£***Tax Act***?ÃÂ¥), COLAs were based on the Consumer Price Index (?ÃÂ£***CPI***?ÃÂ¥). The Tax Act changed the basis of COLAs to instead use the Chained Consumer Price Index for All Urban Consumers (?ÃÂ£***C-CPI-U***?ÃÂ¥). The HSA family coverage contribution limit that was previously announced by the IRS for 2018 was $6,900, which reflected a CPI-based COLA. The revised limit, pursuant to Rev. Proc. 2018-18 and reflecting the new C-CPI-U-based COLA, is now $6,850. The change is effective immediately. To date, the IRS has not provided any transition relief or guidance for employers with HDHPs who make or administer HSA funding contributions and have already implemented their employees?ÃÃ 2018 contribution elections. To the extent that an employee?ÃÃs contributions for 2018 may have been front-loaded, such that the employee has already exceeded the revised limit, the employee could be subject to penalties unless he or she requests from the HSA trustee a distribution of the excess contribution amount, plus allocable interest, by the due date for filing the employee?ÃÃs 2018 federal income tax return (Form 1040). No changes were made by Rev. Proc. 2018-18 to the $3,450 annual contribution limit for self-only coverage or any other HSA limits for 2018. **View a copy of Rev. Proc. 2018-18**.