



## Benefit Advisors Network Smart Partners

# LEGAL ALERT

### IRS Increases Health FSA Contribution Limit for 2017, Adjusts Other Benefit Limits

On October 25, 2016, the Internal Revenue Service (IRS) released Revenue Procedure 2016-55, which raised the health Flexible Spending Account (FSA) salary reduction contribution limit to **\$2,600** for plan years beginning in 2017. The Revenue Procedure also released the cost-of-living (COLA) adjustments that apply to dollar limitations in certain sections of the Internal Revenue Code (Code). The following summarizes other adjustments relevant to individuals and employer sponsors of welfare and fringe benefit plans.

#### *Refundable Credit for Coverage Under a Qualified Health Plan*

For taxable years beginning in 2017, the limit on repayment of excess advance premium credits is determined using the following table:

If the household income (expressed as a percent of the federal poverty line) is:	The limitation amount for unmarried individuals (other than surviving spouses and heads of household) is:	The limitation amount for all other taxpayers is:
Less than 100%	\$0 (no repayment)	\$0 (no repayment)
At least 100% but less than 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,275	\$2,550
Over 400% of the federal poverty line	No cap (full amount repaid)	No cap (full amount repaid)

In other words, individuals who were ultimately ineligible for the premium credits they received will have their repayment capped based on the table above.

### *Qualified Commuter Parking and Mass Transit Pass Monthly Limit Increase*

For tax year 2017, the monthly limitation for the qualified transportation fringe benefit is \$255, as is the monthly limitation for qualified parking. The Consolidated Appropriations Act of 2016 permanently restored the parity to the tax exclusion for parking and mass transit. The prior discrepancy between parking and mass transit had become regularly addressed by last minute, short-term fixes by congress.

### *Small Employer Health Insurance Tax Credit Average Annual Wage Limit Increase*

For taxable years beginning in 2017, the maximum average annual wages of employees used for determining who is an eligible small employer for purposes of the credit is \$52,400.

### *Adoption Assistance Tax Credit Increase*

For taxable years beginning in 2017, the amount that can be excluded from an employee's gross income for the adoption of a child with special needs is \$13,570. The maximum amount that can be excluded from an employee's gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for other adoptions by the employee is \$13,570. The amount excludable from an employee's gross income begins to phase out for taxpayers with modified adjusted gross income in excess of \$203,540 and is completely phased out for taxpayers with modified adjusted gross income of \$243,540 or more.

### *Reminder: HSA Self-Only Coverage Contribution Limit Increases to \$3,400*

Earlier this year, the IRS announced the inflation adjusted amounts for 2017 HSA contributions in Revenue Procedure 2016-28. For individuals in self-only coverage, the 2017 contribution limit will increase to \$3,400 (up from \$3,350). The family coverage contribution limit remains at \$6,750 again in 2017. All other limits remain unchanged from 2016. The following table summarizes the limits relevant to HSAs and high deductible health plans (HDHPs).

	2017 (single/family)	2016 (single/family)
Annual HSA Contribution Limit	\$3,400 / \$6,750	\$3,350 / \$6,750
Minimum Annual HDHP Deductible	\$1,300 / \$2,600	\$1,300 / \$2,600
Maximum Out-of-Pocket for HDHP	\$6,550 / \$13,100	\$6,550 / \$13,100

Lastly, the ACA's out-of-pocket limits for in-network essential health benefits have increased for 2017. Don't forget that starting with 2016 plan years, all non-grandfathered group health plans must contain an embedded individual out-of-pocket limit within family coverage, if the family out-of-pocket limit is above \$6,850 (2016 plan years) or \$7,150 (2017 plan years). Exceptions to the embedded out-of-pocket limit rule also apply for certain small group plans eligible for transition relief.

	2017 (single/family)	2016 (single/family)
ACA Maximum Out-of-Pocket	\$7,150 / \$14,300	\$6,850 / \$13,700

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