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IRS Raises FSA Contribution Limits, Other Thresholds for 2018

Employees will be able to contribute up to \$2,650 to a health flexible spending account (FSA) in 2018, a \$50 increase from the 2017 amount, the Internal Revenue Service (IRS) announced in [Revenue Procedure 2017-58](#).



The IRS is raising to \$110,000 (from \$105,000) the annual compensation that makes a company's officer a "control employee" (for [fringe benefit valuation](#) purposes, the IRS announced separately in [Notice 2017-64](#). The control employee threshold for commuting valuation purposes increases from \$215,000 to \$220,000.

However, the bar for "highly compensated employee" under Section 414(q)(1)(B) is unchanged at \$120,000, and the dollar limit that defines a "key employee" in a top-heavy plan remains \$175,000.

The year 2018 will see higher thresholds for adoption-related tax credits and exclusions. Rev. Proc. 2017-58 raises to \$13,840 (from \$13,570) the income exclusion and tax credit for qualifying adoption-related expenses. The income threshold at which the credit begins to be phased out now will be \$207,580, vs. \$203,540 in 2017.

The monthly limits on the qualified transportation fringe benefit, as well as the qualified parking benefit, also are being raised to \$260, up from \$255 in 2017. Congress enacted permanent parity between these two in December 2015.

Rev. Proc. 2017-58 raises the long-term care (LTC) insurance premium amounts that will be deductible in 2017. These will range from \$420 for taxpayers aged 40 or younger, to \$5,200 for those older than 70. The per diem limitation on LTC insurance payments remains \$360.



The annual limit on payments and reimbursements under a [qualified small employer health reimbursement arrangement](#) was raised to \$5,050 for self-only and \$10,250 for family coverage, an increase of \$100 and \$250, respectively, from 2017 levels.

The 2018 contribution limits for health savings accounts (HSAs), along with the adjusted minimum deductibles and maximum out-of-pocket limits for HSA-eligible high-deductible health plans, were [announced](#) earlier this year.

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