



Health Savings Account Limits Change for 2017

Health Savings Accounts were established to allow individuals and families to save additional money from their paychecks before taxes to be used for medical expenses throughout the year. Health Savings Accounts can be used if an individual or family is enrolled in a Health Savings Account eligible medical plan. It is a great idea for people who have enough regular expenses that they are able to calculate the approximate amount needed annually. The contribution amount was adjusted for inflation for 2017 by a modest additional \$50 for self-only accounts. Let's take a closer look at the provisions.

- **Increase for individuals only.** For families saving in an HSA, there are absolutely no changes for the contributions and out-of-pocket limits. The \$50 increase is for individual plans only.
- **How nonqualified expenses are penalized.** Anyone using these savings plans for unapproved expenses will face a 20 percent penalty on the amount spent. This amount is also subject to income tax. This is not applicable for individuals over the age of 65.
- **Effect from Affordable Care Act.** The ACA created different levels of out-of-pocket expenses that then affect the use of the money saved in an HSA. It is important to look at the difference in the limits between ACA-compliant plans and HSA-qualified HDHPs.
- **Coverage for adult children.** While the ACA also gave parents the ability to keep their adult children on their insurance until age 26, the IRS has not altered the age limit for money used from an HSA. If a child can't be claimed as a dependent, HSA money cannot be used to pay for his or her medical expenses.

According to the IRS, the 2017 annual limitations for deductions for individuals with self-only coverage under a high deductible health plan is \$3,400, and for family coverage under high deductible health plans is \$6,750. A high deductible health plan is defined by the IRS as “a health plan with an annual deductible that is not less than \$1,300 for self-only coverage or \$2,600 for family coverage, and the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums, do not exceed \$6,550 for self-only coverage or \$13,100 for family coverage.”

More details are available in [IRS Rev. Proc. 2016-28](#).

Need more information on how these limit changes will affect you or your employees? [HR Knowledge's benefits team](#) can answer all your questions regarding the new limits and can help ensure compliance.

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