

## NO 2011 INFLATION ADJUSTMENTS TO HSA LIMITS

By law, the IRS must publish the annual inflation adjustments relating to health savings accounts (HSAs) no later than June 1 for the following calendar year. On May 24, 2010, the IRS issued its announcement of changes for 2011: None. This is the first year since the laws governing HSAs were enacted in 2003 that there have been no changes in these limits. This chart summarizes the limits that apply for 2010 and 2011.

	SELF ONLY	FAMILY
<b>Annual Contribution Limit</b>	\$3,050	\$6,150
<b>HDHP Minimum Annual Deductible</b>	\$1,200	\$2,400
<b>HDHP Maximum Out-of-Pocket Limit</b>	\$5,950	\$11,900
<b>Catch-Up Contribution</b>	\$1,000	

The Annual Contribution Limit is the maximum amount of tax-favored contributions that can be made to an individual's HSA for a calendar year. Contributions from all sources are aggregated when determining whether the limit is met. An individual may incur excise taxes on excess contributions. Catch-Up Contributions increase the Annual Contribution limit for individuals age 55 or older. The Catch-Up Contributions limit is not inflation-adjusted. When enacted, the limit was set at \$500 for 2004, with \$100 annual increases. In 2009, it reached its \$1,000 maximum.

The HDHP Minimum Annual Deductible and Maximum Out-of-Pocket Limit refer to features that a health plan must have in order to qualify as a high-deductible health plan (HDHP). Coverage under an HDHP is one of the conditions that an individual must meet in order to be eligible for tax-favored HSA contributions. The limits on these items are also inflation-indexed, with the potential to change each year. Employers that maintain HDHPs need to know these adjustments so that they can make any changes needed for their plans to remain HDHPs.

The IRS announces the adjustments for HSAs much earlier in the year than it announces the adjustments for other types of benefits programs. (Inflation adjustments for most plans usually are announced in October or November. See Willis *HR Focus, Issue 29, "Few Cost-of-Living Changes for 2010."*) The earlier timing of the announcement for HSAs is mandated by legislation that Congress passed at the end of 2006 (see Willis *Employee Benefits Alert, Issue 91, "Health Savings Account Legislation Makes HSAs More Flexible"*). The legislation revised the provisions governing HSAs so that the IRS now must publish the annual adjustments no later than June 1 for the following calendar year.

# KEY CONTACTS

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