For 2015, Higher Limits for HSA Contributions and Deductibles

Out-of-pocket maximums for high-deductible plans also up

By Stephen Miller, CEBS 4/24/2014

The Internal Revenue Service announced higher limits for 2015 on contributions to health savings accounts (HSAs) and for out-of-pocket spending under high-deductible health plans (HDHPs) linked to them.

In **Revenue Procedure 2014-30**, issued April 24, 2014, the IRS provided the inflation-adjusted HSA contribution and HDHP minimum deductible and out-of-pocket limits, effective for calendar year 2015. The higher rates reflect a cost-of-living adjustment and rounding rules under Internal Revenue Code Section 223.

A comparison of the 2015 and 2014 limits is shown below:

Contribution and Out-of-Pocket Limits for Health Savings Accounts and for High-Deductible Health Plans

	For 2015	**For 2014**	**Change**
HSA contribution limit (employer + employee)	Individual: $3,350 Family: $6,650	Individual: $3,300 Family: $6,550	Individual: +$50 Family: +100
HSA catch-up contributions (age 55 or older)*	$1,000	$1,000	No change**
HDHP minimum deductibles	Individual: $1,300 Family: $2,600	Individual: $1,250 Family: $2,500	Individual: +$50 Family: +100
HDHP maximum out-of-pocket amounts (deductibles, co-payments and other amounts, but not premiums)	Individual: $6,450 Family: $12,900	Individual: $6,350 Family: $12,700	Individual: +$100 Family: +$200

***** Catch-up contributions can be made any time during the year in which the HSA participant turns 55.
****** Unlike other limits, the HSA catch-up contribution amount is not indexed; any increase would require statutory

change.

The increases in contribution limits and out-of-pocket maximums from 2014 to 2015 matched the increases made a year earlier, reflecting the government's calculation of a continuing modest inflation rate, although the HDHP minimum deductible amount was up slightly for 2015 versus no change from 2013 to 2014.

Penalties for Nonqualified Expenses

Those under age 65 (unless totally and permanently disabled) who use HSA funds for nonqualified medical expenses face a penalty of 20 percent of the funds used for such expenses. Funds spent for nonqualified purposes are also subject to income tax.

Coverage of Adult Children

While the Affordable Care Act allows parents to add their adult children (up to age 26) to their health plans, the IRS has not changed its definition of a dependent for health savings accounts. This means that an employee whose 24-year-old child is covered on his HSA-qualified high-deductible health plan is not eligible to use HSA funds to pay that child's medical bills.

If account holders can't claim a child as a dependent on their tax returns, then they can't spend HSA dollars on services provided to that child. According to the IRS definition, a dependent is a qualifying child (daughter, son, stepchild, sibling or stepsibling, or any descendant of these) who:

- Has the same principal place of abode as the covered employee for more than one-half of the taxable year.
- Has not provided more than one-half of his or her own support during the taxable year.
- Is not yet 19 (or, if a student, not yet 24) at the end of the tax year or is permanently and totally disabled.

Affordable Care Act Limits Differ

	2015	**2014**
ACA out-of-pocket limits for HDHPs	Individual: $6,600 Family: $13,200	Individual: $6,350 Family: $12,700
IRS out-of-pocket limits for HSA-qualified HDHPs	Individual: $6,450 Family: $12,900	Individual: $6,350 Family: $12,700