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IRS Announces HSA Limits for 2010

The IRS has issued guidance on the 2010 maximum contribution levels for Health Savings Accounts (HSAs) and out-of-pocket spending limits for High Deductible Health Plans (HDHPs) that must be used in conjunction with HSAs [Rev. Proc. 2009-29, 5-14-09; www.irs.gov/pub/irs-drop/rp-09-29.pdf]. The guidance is issued pursuant to the Tax Relief and Health Care Act of 2006 (Pub. L. No. 109-432; see **PAYROLL CURRENTLY, Issue No. 26, Vol. 14**), which provides that for taxable years beginning after December 31, 2006, the maximum annual HSA contribution is an indexed statutory amount. *Note:* The annual cost-of-living adjustments are released by June 1 for the following year.

2010 annual contribution levels for HSAs:

- The maximum annual HSA contribution for an eligible individual with self-only coverage is \$3,050 (\$3,000 in 2009).
- For family coverage, the maximum annual HSA contribution is \$6,150 (\$5,950 in 2009).
- The catch-up contribution for an individual age 55 or older is \$1,000 in 2009 and all years going forward.

Note: An individual who is an eligible individual on the first day of the last month of the taxable year (December for most taxpayers) is allowed the full annual contribution (plus catch-up contribution, if 55 or older by year-end), regardless of the number of months the individual was an eligible individual in the year. For individuals who are no longer eligible individuals on that date, both the HSA contribution and catch-up contribution apply pro rata based on the number of months of the year a taxpayer is an eligible individual.

2010 amounts for out-of-pocket spending on HSA-compatible HDHPs:

- The maximum annual out-of-pocket amount for HDHP self-only coverage is \$5,950 (\$5,800 in 2009) and the maximum annual out-of-pocket amount for HDHP family coverage increases to twice that, \$11,900 (\$11,600 in 2009).

2010 minimum deductible amounts for HSA-compatible HDHPs:

- The minimum deductible for HDHPs increases to \$1,200 (\$1,150 in 2009) for self-only coverage and \$2,400 (\$2,300 in 2009) for family coverage.

Note: A fiscal year plan that satisfies the requirements for an HDHP on the first day of the first month of its fiscal year may apply that deductible for the entire fiscal year.