

November 11, 2013

Various Tax Benefits Increased for 2014

The IRS recently released new inflation-adjusted [amounts](#) for 2014, establishing the tax-related salary deduction limits on a variety of employee benefits. These amounts are updated annually to reflect cost-of-living adjustments.

The tax items for tax year 2014 of greatest interest to health and welfare plan sponsors include the following dollar amounts:

- **FSAs.** The annual dollar limit on employee contributions to employer-sponsored healthcare flexible spending arrangements (FSA) remains unchanged at \$2,500. The limit for a dependent care FSA will remain \$5,000 for an individual or married couple filing a joint tax return, or \$2,500 per person for those married and filing separately.
- **Transportation limit changes.** The 2014 monthly limit on the amount that may be excluded from an employee's income for qualified parking benefits is \$250 per month (up from \$245). The combined monthly limit for transit passes and vanpooling (commuter highway) expenses falls to \$130 (from \$245) due to the expiration of the temporary "rule of parity" that made it equal to the parking limit (this rule could still be extended).
- **Adoption credit.** The maximum that can be excluded from an employee's income under an employer-provided adoption assistance program rises to \$13,190 (from \$12,970). The credit begins to phase out for taxpayers with modified adjusted gross income in excess of \$197,880 and is completely phased out for taxpayers with modified adjusted gross income of \$237,880 or more.
- **Long-term care.** The amount of long-term care per diem payments that is excludable from income increases to \$330 per day (up from \$320). The limitations regarding eligible long-term care premiums includible in the term "medical care" are \$370 (attained age of 40 or less before close of tax year), \$700 (41-50), \$1,400 (51-60), \$3,720 (61-70) and \$4,660 (over 70).
- **Archer MSA limits rise.** For Archer Medical Savings Accounts (MSAs), the term "high deductible health plan" means, for self-only coverage, a health plan that has an annual deductible that is not less than \$2,200 and not more than \$3,250, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$4,350. For family coverage, the term means a health plan that has an annual deductible that is not less than \$4,350 and not more than \$6,550, and under which the annual out-of-pocket expenses required to be paid (other than for premiums) for covered benefits do not exceed \$8,000.
- **Small Business Tax Credit rises.** The Patient Protection and Affordable Care Act's Small

Business Tax Credit provides that the maximum credit is phased out based on the employer's number of full-time equivalent employees in excess of 10 and the employer's average annual wages in excess of \$25,400 for tax year 2014, up from \$25,000 for 2013. And the maximum limit, at which the credit completely phases out, rises to \$50,800 (from \$50,000).

- **HSAs/HDHPS.** Several months ago, the IRS [released](#) the 2014 cost-of-living adjustments affecting HSAs and HDHPS.
 - **HSA Contribution Limits.** The 2014 annual HSA contribution limit for individuals with self-only HDHP coverage is \$3,300 (a \$50 increase from 2013), and the limit for individuals with family HDHP coverage is \$6,550 (a \$100 increase from 2013).
 - **HDHP Minimum Required Deductibles.** The 2014 minimum annual deductible for self-only HDHP coverage is \$1,250 and the minimum annual deductible for family HDHP coverage is \$2,500. Both are unchanged from 2013.
 - **HDHP Out-of-Pocket Maximums.** The 2014 maximum limit on out-of-pocket expenses (including items such as deductibles, co-payments, and co-insurance, but not premiums) for self-only HDHP coverage is \$6,350 (a \$100 increase from 2013), and the limit for family HDHP coverage is \$12,700 (a \$200 increase from 2013).

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