



2015 Cost of Living Adjustments

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On October 23, 2014, the IRS released cost of living adjustments for 2015 under various provisions of the Internal Revenue Code (the Code), and additional adjustments were just released on October 30, 2014.

■ Health FSAs

The Affordable Care Act (ACA) placed a \$2,500 limitation on voluntary employee salary reductions for contributions to health flexible spending arrangements, subject to inflation for plan years beginning after December 31, 2013. For plan years beginning in 2015, the dollar limitation for voluntary employee salary reductions for contributions to health flexible spending arrangements is raised to **\$2,550**.

■ Qualified Transportation Fringe Benefits

For calendar year 2015, the monthly exclusion limitation for transportation in a commuter highway vehicle (vanpool) and any transit pass (under Code Section 132(f)(2)(A)) remains unchanged at **\$130**; the monthly exclusion limitation for qualified parking expenses (under Section 132(f)(2)(B)) is again **\$250**.

■ Non-Grandfathered Plan Cost-Sharing Limits

The 2015 maximum annual out-of-pocket limits for all non-grandfathered plans are \$6,600 for individual coverage and \$13,200 for family coverage.

■ Highly Compensated Individuals

The compensation threshold for a highly compensated individual or participant (as defined by Code Section 414(q)(1)(B) for purposes of Section 125 nondiscrimination testing) was raised from \$115,000 to **\$120,000** for 2015.

Under the cafeteria plan rules, the term highly compensated means any individual or participant who for the preceding plan year (or the current plan year in the case of the first year of employment) had compensation in excess of the compensation amount as specified in Code Section 414(q)(1)(B). Prop. Treas. Reg. 1.125-7(a)(9).

■ Key Employees

The dollar limitation under Code Section 416(i)(1)(A)(i) concerning the definition of a key employee for calendar year 2015 remains unchanged at **\$170,000**.

For purposes of cafeteria plan nondiscrimination testing, a key employee is a participant who is a key employee within the meaning of Code Section 416(i)(1) at any time during the preceding plan year. Prop. Treas. Reg. 1.125-7(a)(10).

■ Health Savings Accounts

The inflation adjustments for health savings accounts for 2015 were provided in April 2014 as follows:

Annual contribution limitation.

For calendar year 2015, the limitation on deductions for an individual with **self-only** coverage under a high deductible health plan is **\$3,350**. For calendar year 2015, the limitation on deductions for an individual with family coverage under a high deductible health plan is \$6,650.

High deductible health plan.

For calendar year 2015, a “high deductible health plan” is defined 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 \$6,450 for self-only coverage or \$12,900 for family coverage**.

Non-calendar year plans: In cases where the HDHP renewal date is after the beginning of the calendar year, any required changes to the annual deductible or out-of-pocket maximum may be implemented as of the next renewal date.

Catch-up contribution.

Individuals who are age 55 or older and covered by a qualified high deductible health plan may make additional catch-up contributions each year until they enroll in Medicare. The additional contribution, as outlined in Code 223(b)(3)(B), is \$1,000 for 2009 and thereafter.

