

November 16, 2018

2019 Increases for Employee Benefits-Related Limits

Annually, the Internal Revenue Service, the Social Security Administration and the Pension Benefit Guaranty Corporation adjust for cost-of-living increases certain limitations that impact employee benefit plans. These limitations, adjusted for 2019, were recently published.

As a resource, the **Employee Benefits and Executive Compensation** practice at **Brownstein Hyatt Farber Schreck** annually prepares a chart comparing many of the current and prior-year limitations applicable to employee benefits.

See the chart below for 2019 limits.

If you have questions about how these changes affect your employee benefits, please contact one of the attorneys listed below.

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This document is intended to provide you with general information regarding cost-of-living increase adjustments and how they impact employee benefit plans. The contents of this document are not intended to provide specific legal advice. If you have any questions about the contents of this document or if you need legal advice as to an issue, please contact your regular Brownstein Hyatt Farber Schreck, LLP attorney. This communication may be considered advertising in some jurisdictions.

Employee Benefits

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2019 INCREASES FOR EMPLOYEE BENEFITS-RELATED LIMITS

This chart sets forth some of the annually adjusted dollar limits that impact employee benefits, as published by the Internal Revenue Service, the Social Security Administration and the Pension Benefit Guaranty Corporation.

ADJUSTED ITEM	2019	2018	Notes
Elective Deferrals (Pre-Tax and Roth) 401(k), 403(b), 457(b) and SEPs (IRC §§402(g)(1) and 457(e)(15)) SIMPLE Plans (IRC §408(p)(2)(E))	\$19,000 \$13,000	\$18,500 \$12,500	(a)
Catch-up Contributions (IRC §§414(v)(2)(B)(i) and (iii)) 401(k), 403(b), Governmental 457(b) and SEPs SIMPLE Plans	\$6,000 \$3,000	\$6,000 \$3,000	(a)
Annual Compensation Limit Generally (IRC §§401(a)(17), 404(l), 408(k)(3)(C) and 408(k)(6)) Certain Governmental Plans in effect on July 1, 1993	\$280,000 \$415,000	\$275,000 \$405,000	(b)
Annual Additions Defined Contribution Plan (IRC §415(c)(1)(A)) Defined Benefit Plan (IRC §415(b)(1)(A))	\$56,000 \$225,000	\$55,000 \$220,000	(c) (b)
Highly Compensated Employee (IRC §414(q)(1)(B))	\$125,000	\$120,000	(b)
Key Employee Officer for Top-Heavy Plans (IRC §416(i)(1)(A)(i))	\$180,000	\$175,000	(b)
PBGC Guaranteed Annual Benefit (straight life annuity; age 65; rounded)	\$67,295	\$65,045	(d)
Tax Credit ESOP (IRC §409(o)(1)(C)) 5-Year Maximum Balance Additional 1-Year Limit	\$1130,000 \$225,000	\$1,105,000 \$220,000	(b)
SEP (IRC 408(k)) Minimum Compensation (for coverage) (IRC §408(k)(2)(C)) Maximum Compensation (IRC §408(k)(3)(C))	\$600 \$280,000	\$600 \$275,000	(e) (b)
Health Savings Accounts (HSAs) (IRC §§ 223(b) and (c)) Maximum Annual HSA Contribution Self-only Coverage Family Coverage Age 55 Additional HSA Contribution (Maximum) HDHP Minimum Annual Deductible (lowest amount to have an HSA) Self-only Coverage Family Coverage HDHP Maximum Annual Out-of-Pocket Expense (cannot exceed to have an HSA) Self-only Coverage Family Coverage Excise Tax for Non-Medical Distributions from HSA	\$3,500 \$7,000 \$1,000 \$1,350 \$2,700 \$6,750 \$13,500 20%	\$3,450 \$6,900 \$1,000 \$1,350 \$2,700 \$6,650 \$13,300 20%	(f)
Group Health Plan Out-of-Pocket Maximum (PHSA §2707(b), PPACA §1302(c)(1)) Self-only Coverage Other than Self-only Coverage	\$7,900 \$15,800	\$7,350 \$14,700	(ff)
Health FSA Maximum Annual Contribution (IRC §125(i))	\$2,700	\$2,650	(e)
Qualified Small Employer Health Reimbursement Account (QSEHRA) (IRC §9831) Maximum Employer Contribution for Individual Coverage Maximum Employer Contribution for Family Coverage	\$5,150 \$10,450	\$5,050 \$10,250	(g)

ADJUSTED ITEM	2019	2018	Notes
Qualified Transportation Fringe (IRC §132(f)(2))			
Employer-provided Parking (monthly)	\$265	\$260	(h)
Mass Transit Pass and Van Pool (monthly)	\$265	\$260	(hh)
Bicycle Commuting (monthly)	\$20	\$ 20	(hhh)
Dependent Care Assistance Maximum Gross Income Exclusion (IRC §129(a)(2)(A))	\$5,000	\$5,000	(i)
Adoption Assistance Programs (IRC §137(a)(2))			(j)
Dollar Limit on Benefits Excludable from Gross Income (IRC §137(b)(1))	\$14,080	\$13,810	
Phase-Out Income Threshold (IRC §137(b)(2))			
Floor	\$211,160	\$207,140	
Ceiling	\$251,160	\$247,140	
Long-Term Care Premiums as Medical Care Expenses (IRC §213(d)(10))			(k)
Taxpayer age 40 and younger	\$420	\$420	
Taxpayer over age 40 but not more than age 50	\$790	\$780	
Taxpayer over age 50 but not more than age 60	\$1,580	\$1,560	
Taxpayer over age 60 but not more than age 70	\$4,220	\$4,160	
Taxpayer over age 70	\$5,270	\$5,200	
Social Security OASDI Taxable Wage Base	\$132,900	\$128,400	(l)

- (a) Indexed in \$500 increments. (b) Indexed in \$5,000 increments. (c) Indexed in \$1,000 increments.
- (d) Rounded. See, *PBGC Guarantee Limit for Single-Employer Plans Increases for 2019*, at <https://www.pbgc.gov/news/press/releases/pr18-06> (Oct. 22, 2018). See also https://www.pbgc.gov/wr/benefits/guaranteed-benefits/maximum-guarantee?source=govdelivery&utm_medium=email&utm_source=govdelivery. For multiemployer plans, the PBGC maximum annual guarantee for a retiree with 30 years of service is 100% of the first \$3,960 and 75% of the next \$11,760 for a total guarantee of \$12,870. This limit has been in place since 2001 and is not indexed.
- (e) Indexed in \$50 increments.
- (f) Indexed in \$50 increments. IRC §223(g). See Rev. Proc. 2018-30 (May 10, 2018) at <https://www.irs.gov/pub/irs-drop/rp-18-30.pdf>. For 2018, see Rev. Proc. 2017-37, Rev. Proc. 2018-18, IRB 2018-10 (Mar. 5, 2018) (family limit reduced to \$6,850), and Rev. Proc. 2018-27 (which allowed use of \$6,900).
- (ff) Referred to as the "annual limitation on cost sharing" in the Final Rule at 81 Federal Register 94058, 94140 (Dec. 22, 2016) at <https://www.gpo.gov/fdsys/pkg/FR-2016-12-22/pdf/2016-30433.pdf>. Applies to non-grandfathered health plans. For the 2015 plan year and thereafter, the OOP annual maximum will be increased by the premium adjustment percentage described under PPACA §1302(c)(4). In addition, group health plans in 2018 still must embed the individual cost sharing limit within the family limit for each individual covered under family coverage. Thus, each individual with a family coverage plan is not responsible for more than the individual portion of the out-of-pocket maximum, per PPACA §1302(c)(1) and FAQs about Affordable Care Act Implementation (Part XXVII) May 26, 2015, <http://www.dol.gov/ebsa/faqs/faq-aca27.html>.
- (g) Indexed in \$50 increments. The 21st Century Cures Act, Pub. L. 114-255 (Dec. 13, 2016), beginning Jan. 2017 amended IRC §9831, ERISA §733, and PHSAs §2791 to create QSEHRAs, which allow employer payment plans without creating a group health plan. Available for employers with fewer than 50 full-time employees or equivalents.
- (h) Indexed in \$5 increments. IRC §132(f).
- (hh) Section 105 of the Consolidated Appropriations Act of 2016, Pub. L. 114-113, created parity after Dec. 31, 2014, between (i) the transit benefit exclusion for the aggregate of transportation in a commuter highway vehicle and any transit pass and (ii) the exclusion for qualified parking. See IRS Notice 2016-6, <https://www.irs.gov/pub/irs-drop/n-16-06.pdf>.
- (hhh) IRC §132(f), as amended by §211(a) of Division B of the Emergency Economic Stabilization Act of 2008. Cannot receive bicycle benefit in any month in which any other qualified transportation fringe benefit is received. Not currently adjusted for inflation.
- (i) \$2,500 in the case of married filing separate return. Amount is fixed by statute. See IRC §129(a)(2)(A).
- (j) Indexed in \$10 increments. IRC §137(f). Revised by Rev. Proc. 2018-18, IRB 2018-18 (Mar. 5, 2018).
- (k) Indexed in \$10 increments. IRC §213(d)(10)(B). Based on taxpayer's age before the close of the tax year.
- (l) Indexed in \$300 increments. See <https://www.ssa.gov/news/press/releases/2018/#10-2018-1> (Oct. 11, 2018). For 2019, the FICA tax rate is 7.65% for employees and 15.30% for self-employed. The maximum 2019 OASDI portion of FICA tax payable by each employee is 6.2% of the wage base (that is, \$8,239.80). Employers match the employee amount with an equal contribution. There is no wage base for the Medicare (HI) portion of FICA taxes and all wages earned are subject to the HI tax, which also is paid by employers and employees (each pays at a 1.45% rate, and self-employed pay 2.9%), although employees pay an additional 0.9% on wages greater than \$200,000 (\$250,000 for married, filing jointly). The OASDI tax rate for self-employment income in 2019 is 12.4%. See <http://www.ssa.gov/OACT/COLA/cbb.html>.

Sources: Rev. Proc. 2018-57, <https://www.irs.gov/pub/irs-drop/rp-18-57.pdf>, and Notice 2018-83, "2019 Limitations Adjusted As Provided in Section 415(d), etc.



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