

The US Department of Treasury released new information on November 19th on HSA contribution levels for 2005. Below is the full press release.

Treasury and IRS Issue Indexed Amounts for Health Savings Accounts

The Treasury Department and IRS today issued new guidance on the 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. These amounts have been indexed for cost-of-living adjustments for 2005 and are included in Revenue Procedure 2004-71, which announces changes in several indexed amounts for purposes of the federal income tax. The minimum deductible required for HDHPs did not change.

"Today's guidance will help consumers and employers who wish to participate in HSAs in 2005 to plan accordingly," said Treasury's Acting Assistant Secretary for Tax Policy Greg Jenner. "Knowing the dollar limits for these accounts, and for the high deductible insurance that goes with them, is critical for those who want to get the maximum benefit out of this revolutionary health care coverage option . one that puts health care spending decisions back in the hands of individuals."

The new levels are as follows:

New Annual Contribution Levels for HSAs:

- For 2005, the maximum annual HSA contribution for an eligible individual with self-only coverage is \$2650. (Note: for any individual, the maximum contribution is the lesser of the indexed amount or the deductible of the HDHP.)
- For family coverage the maximum annual HSA contribution is \$5250.
- Catch up contributions for individuals who are 55 or older is increased by statute from \$500 to \$600 for 2005.
- Both the HSA contribution and catch up contribution apply pro rata based on the number of the months of the year a taxpayer is an eligible individual, and, with respect to the catch up contribution, the number of months of the year that the taxpayer is age 55 and over.

New Amounts for Out-of-Pocket Spending on HSA-Compatible HDHPs:

- The maximum annual out-of-pocket amount for HDHP self-coverage increases to \$5,100 and the maximum annual out-of-pocket amount for HDHP family coverage is twice that, \$10,200.

Minimum Deductible Amounts for HSA-Compatible HDHPs:

- For 2005, the minimum deductible for HDHP is unchanged, remaining at \$1,000 for self-only coverage and \$2,000 for family coverage.

Please follow this link to the Department of Treasury's website for the full guidance:
<http://www.ustreas.gov/press/releases/reports/111904revproc200471.pdf>