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HR News Alert

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2015 HSA Contribution Limits and Minimum Deductibles

The IRS has released the 2015 inflation adjusted amounts for health savings accounts (HSAs). To be eligible to make HSA contributions, an individual must be covered under a high deductible health plan (HDHP) and meet certain other eligibility requirements.

High Deductible Health Plan Coverage
An HDHP has a higher annual deductible than typical health plans and a maximum limit on the sum of the annual deductible and other out-of-pocket expenses. For 2015, the minimum annual deductible is **$1,300 for self-only coverage** or **$2,600 for family coverage**. Annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) may not exceed **$6,450 for self-only coverage** or **$12,900 for family coverage**.

(An HDHP may provide certain preventive care benefits without a deductible, as required under Health Care Reform.)

Annual HSA Contribution Limitation
An eligible employee, his or her employer, or both may contribute to the employee's HSA. For calendar year 2015, the annual limitation on HSA deductions for an individual with self-only HDHP coverage is **$3,350**. For an individual with family coverage under an HDHP, the annual limitation on HSA deductions is **$6,650**. The limit is increased by $1,000 for eligible individuals age 55 or older at the end of the tax year.

You can learn more about HSAs in our section on Health Savings Accounts.

ACA Annual Deductible Limits for Small Group Plans Eliminated

Recent legislation **eliminates the Affordable Care Act's annual limitation on deductibles for non-grandfathered plans in the small group market**, effective retroactively to 2010. Those limits were set at $2,000 for self-only coverage and $4,000 for other than self-only coverage for plan years beginning in 2014; however, certain small group plans were allowed to exceed the limits if necessary to reach a given level of coverage, or metal tier.

The ACA's annual limitation on out-of-pocket expenses was not eliminated and remains in effect for most non-grandfathered small and large group plans. For plan years beginning in 2014, annual out-of-pocket expenses (including coinsurance and copayments, but not premiums) for "essential health benefits" provided in-network generally may not exceed $6,350 for self-only coverage or $12,700 for other than self-only coverage. For 2015, these limits increase to $6,600 and $13,200, respectively.

Note: Certain small businesses may be allowed to renew existing group coverage that does not comply with the annual limits on out-of-pocket expenses through policy years beginning on or before October 1, 2016. Eligible businesses will receive a notice from their insurance companies for each policy year.

Be sure to visit our Health Care Reform section to stay on top of the latest changes.

Health FSA Carryovers May Impact HSA Eligibility

An IRS memo clarifies several issues related to eligibility for a health savings account (HSA) when unused amounts in a health flexible spending arrangement (FSA) are carried over from the preceding plan year. Under agency rules, employers may allow employees to carry over up to $500 remaining in a health FSA at the end of a plan year to use in the following year.

Qualifying for an HSA
Among other requirements, an individual must be covered under a high deductible health plan (HDHP) to qualify for an HSA, and generally may not be covered by other non-HDHP health coverage. Thus, an individual who is covered by a health FSA that pays or reimburses all qualified medical expenses is not an eligible individual for purposes of making HSA contributions. This disqualification includes the entire plan year, even if the health FSA has paid or reimbursed all amounts prior to the end of the plan year.

Impact of Health FSA Carryovers
The IRS memo makes clear that individuals who are covered by general purpose health FSAs are **not eligible to make HSA contributions during the entire plan year of the health FSA, even if they have coverage solely as a result of a carryover of unused amounts from the prior year**.

The guidance also addresses HSA eligibility when an individual elects to decline or waive the carryover of unused amounts from a general purpose health FSA, as well as when unused amounts from a general purpose health FSA are carried over to certain types of HSA-compatible health FSAs.

Our section on HSAs, FSAs, & Other Tax-Favored Accounts provides additional information on these types of arrangements.

Employee Benefits and Same-Sex Marriage: Where Things Stand One Year Later

It has been nearly one year since the U.S. Supreme Court invalidated part of the Defense of Marriage Act (DOMA), which denied federal benefits to legally married same-sex couples. While the legality of same-sex marriage continues to be challenged in the states, federal agencies have issued significant guidance in the past year implementing the DOMA decision:

1. Employee Benefit Plans
The terms "spouse" and "marriage" in Title I of ERISA (the federal law setting minimum standards for most benefit plans) and in related agency regulations will generally be read to include same-sex couples legally married in any state that recognizes such marriages, regardless of where they currently live. Among other provisions, Title I includes COBRA continuation coverage requirements and the HIPAA portability rules.

2. Federal Tax Guidance
Same-sex couples, legally married in jurisdictions that recognize their marriages, will be treated as married for all federal tax purposes (including employee benefits). More specific IRS guidance includes:

- Q&As regarding the participation by same-sex spouses in cafeteria plans, HSAs, and health FSAs;
- Notice 2013-61 establishing special procedures for correcting overpayments with respect to employee benefits provided to same-sex spouses (including employer-provided health coverage); and
- Q&As on how the ruling affects qualified retirement plans.

3. FMLA-Specific Guidance
Updated agency guidance clarifies the definition of "spouse," for purposes of the federal Family and

Medical Leave Act, to mean a husband or wife as defined or recognized under state law for purposes of marriage in the state where the employee resides, including common law marriage and same-sex marriage.

For guidance on same-sex marriage laws specific to your state, visit our State Laws section, click on your state and select "Same-Sex Relationships" from the left-hand navigation menu.

6 Factors for Deciding Whether to Pay Interns

Are you planning to hire interns this summer? While it can be tempting to allow such individuals to volunteer at your place of business or pay less than the minimum wage, the fact is that **internships are most often considered 'employment'** subject to the federal minimum wage and overtime rules.

The Fair Labor Standards Act
Under the federal Fair Labor Standards Act (FLSA), interns in the for-profit private sector who qualify as employees typically must be paid at least $7.25 per hour, and not less than one and one-half times the regular rate of pay after 40 hours of work in a workweek.

Note: When both the FLSA and a state law apply, the employee is entitled to the most favorable provisions of each law. Be sure to check your state wage and hour laws for applicable requirements.

The Test for Unpaid Interns
There are some circumstances under which individuals who participate in for-profit private sector internships or training programs may do so without compensation. The determination of whether an internship or training program meets this exclusion depends upon **all of the facts and circumstances**. The U.S. Department of Labor uses the following six criteria which must be applied when making this determination:

1. The internship, even though it includes actual operation of the facilities of the employer, is similar to training which would be given in an educational environment;
2. The internship experience is for the benefit of the intern;
3. The intern does not displace regular employees, but works under close supervision of existing staff;
4. The employer that provides the training derives no immediate advantage from the activities of the intern, and on occasion its operations may actually be impeded;
5. The intern is not necessarily entitled to a job at the conclusion of the internship; and
6. The employer and the intern understand that the intern is not entitled to wages for the time spent in the internship.

If **all** of the factors listed above are met, an employment relationship likely does not exist under federal law, and the FLSA's minimum wage and overtime provisions do not apply to the intern. (This exclusion is narrow, because the FLSA's definition of 'employ' is very broad.)

Visit our Employee Pay section for information on other common federal wage issues.

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