

## Government Report November 2017

### 2018 FSA Contribution Cap Rises to \$2,650

In 2018, employees can contribute 50 more dollars to their health spending accounts. Tax-exclusion limits were also raised for transit benefits and adoption assistance programs. (SHRM)

### 401(k) Contribution Limit Increases to \$18,500 for 2018

The IRS has announced the changes to the dollar limits on benefits and contributions under qualified retirement plans, as well as other items, for tax year 2018 [IRS Notice 2017-64, 10-19-17; <https://www.irs.gov/pub/irs-drop/n-17-64.pdf>].

- The limitation on the exclusion for elective deferrals under §402(g)(1) (e.g., §401(k) and §403(b) plans) increases to \$18,500 (from \$18,000).
- The limit on annual additions to defined contribution plans under §415(c)(1)(A) increases to \$55,000 (from \$54,000).
- The limit on the annual benefit under a defined benefit plan contained in §415(b)(1)(A) increases to \$220,000 (from \$215,000).
- The annual compensation limit under §401(a)(17), §404(l), §408(k)(3)(C), and §408(k)(6)(D)(ii) increases to \$275,000 (from \$270,000).
- The compensation amount under §408(p)(2)(E) regarding elective deferrals to SIMPLE retirement accounts remains unchanged at \$12,500.
- The limitation under §457(e)(15) concerning elective deferrals to deferred compensation plans of state and local governments and tax-exempt organizations (§457(b) plans) increases to \$18,500 (from \$18,000).
- The limitation under §416(i)(1)(A)(i) concerning the definition of “key employee” in a top-heavy plan remains unchanged at \$175,000.
- The limitation under §414(v)(2)(B)(i) for catch-up contributions to §§401(k), 403(b), and 457(b) plans for individuals age 50 or over remains unchanged at \$6,000; the limitation under §414(v)(2)(B)(ii) for catch-up contributions to an employer’s SIMPLE plan for individuals age 50 or over remains unchanged at \$3,000.
- The limitation used in the definition of “highly compensated employee” under §414(q)(1)(B) remains unchanged at \$120,000.
- The compensation amount under §408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$600.
- The compensation amount under federal regulation §1.61-21(f)(5)(i), concerning the definition of “control employee” for fringe benefit valuation purposes, increases to \$110,000 (from \$105,000). The compensation amount under §1.61-21(f)(5)(iii) increases to \$220,000 (from \$215,000).

### IRS Announces 2018 COLAs for Transportation Fringes, FSA Deferrals, Foreign Earned Income Exclusion, and More

The IRS has released inflation-adjusted tables for 2018 reflecting any increases in the FSA deferral limit, foreign earned income exclusion, and excludable transportation fringes, among other changes [Rev. Proc. 2017-58, 10-19-17; <https://www.irs.gov/pub/irs-drop/rp-17-58.pdf>].

#### Qualified transportation fringes

The amounts that may be excluded from gross income for employer-provided “qualified transportation fringe benefits” and for “transportation in a commuter highway vehicle and any transit pass” for 2018 are both \$260 per month (up from \$255 in 2017). (APA & IRS)

### **Social Security Wage Base Increases to \$128,700 for 2018**

The Social Security Administration (SSA) announced on Friday, October 13, 2017, that the 2018 social security wage base will be \$128,700, which is an increase of \$1,500 from \$127,200 in 2017 ([view the SSA Fact Sheet](#)). As in prior years, there is no limit to the wages subject to the Medicare tax; therefore all covered wages are still subject to the 1.45% tax. As in 2017, wages paid in excess of \$200,000 in 2018 will be subject to an extra 0.9% Medicare tax that will be withheld only from employees' wages. Employers will not pay the extra tax.

The FICA tax rate, which is the combined social security tax rate of 6.2% and the Medicare tax rate of 1.45%, will be 7.65% for 2018 up to the social security wage base. The maximum social security tax employees and employers will each pay in 2018 is \$7,979.40, an increase of \$93.00 from \$7,886.40 in 2017. (APA & SSA)