

New Indexed Figures for 2014

WageWorks

Compliance Alert

2014 Indexed Figures Update: Mileage rates added

The Internal Revenue Service (IRS) and Social Security Administration have released the cost-of-living (COLA) adjustments that apply to dollar limitations set forth in certain IRS Code Sections. The Consumer Price Index rose enough since the third quarter of last year to warrant an increase in some, but not all, indexed figures for 2014.

Social Security and Medicare Wage Base

For 2014, the Social Security wage base increases to \$117,000 from \$113,700 in 2013. The Social Security rate of 6.2% is applied to wages up to the maximum taxable amount for the year; the Medicare portion of 1.45% applies to all wages.

	2011	2012	2013	2014
Social Security Wage Base	\$106,800	\$110,100	\$113,700	\$117,000
Employee Social Security Rate	4.2%	4.2%	6.2%	6.2%
Employee Medicare Rate	1.45%	1.45%	1.45%	1.45%
Total Employee Rate	5.65%	5.65%	7.65%	7.65%
Employer Matching Rate	7.65%	7.65%	7.65%	7.65%

Indexed Compensation Levels

The indexed compensation level for determining who is considered highly compensated remains unchanged for 2014:

	2011	2012	2013	2014
Highly Compensated Employee	\$110,000	\$115,000	\$115,000	\$115,000
Top Paid Group of 20%	\$110,000	\$115,000	\$115,000	\$115,000
Key Employee, Officer	\$160,000	\$165,000	\$165,000	\$170,000

401(k) Plans

In 2014, the maximum for elective deferrals remains unchanged at \$17,500. The catch-up contribution for those 50 or older remains at \$5,500 for 2014 (no change from 2013). That means if you are age 50 or over during the 2014 taxable year, you may generally defer up to \$23,000 into your 401(k) plan.

	2011	2012	2013	2014
Maximum Employee Deferral	\$16,500	\$17,000	\$17,500	\$17,500
Catch up allowed for those 50 and over	\$5,500	\$5,500	\$5,500	\$5,500

Healthcare FSA

	2013	2014
Salary Reduction Annual Limit	\$2,500	\$2,500

Adoption Credit

For 2014, this tax credit increases from \$12,970 to \$13,190. The credit starts to phase out at \$197,880 of modified adjusted gross income (AGI) levels, and is completely phased out when modified AGI reaches \$237,880.

	2011	2012	2013	2014
Phase Out (modified AGI)	\$185,210 to \$225,210	\$189,710 to \$229,710	\$194,580 to \$234,580	\$197,880 to \$237,880
Adoption Expenses	\$13,360	\$12,650	\$12,970	\$13,190

The exclusion from income provided through an employer or a Section 125 cafeteria plan for adoption assistance also has a \$13,190 limit for the 2014 taxable year. And remember - a participant may take the exclusion from income and the tax credit if enough expenses are incurred to support both programs separately.

Health Savings Account (HSA)

Minimum deductible amounts for the qualifying high deductible health plan (HDHP) remain the same at \$1,250 for self-only coverage and \$2,500 for family coverage in 2014. Maximums for the HDHP out-of-pocket expenses increase to \$6,350 for self-only coverage and \$12,700 for family coverage.

Maximum contribution levels to an HSA also increased for 2014 to \$3,300 for self-only coverage and \$6,550 for family coverage. The catch-up contribution allowed for those 55 and over is set at \$1,000 for 2014. Remember, qualifying HDHPs and no other impermissible coverage (such as coverage under another employer's plan or from a health care flexible spending account that is not specifically compatible with an HSA) are required in order to fund an HSA.

	2011	2012	2013	2014
Minimum deductible amounts for the qualifying high deductible health plan (HDHP)				
Individual coverage	\$1,200	\$1,200	\$1,250	\$1,250
Family coverage	\$2,400	\$2,400	\$2,500	\$2,500
Maximum contribution levels				
Individual coverage	\$3,050	\$3,100	\$3,250	\$3,300
Family coverage	\$6,150	\$6,250	\$6,450	\$6,550
Catch up allowed for those 55 and over	\$1,000	\$1,000	\$1,000	\$1,000
Maximums for HDHP out-of-pocket expenses				
Individual coverage	\$5,950	\$6,050	\$6,250	\$6,350
Family coverage	\$11,900	\$12,100	\$12,500	\$12,700

Archer Medical Savings Account (MSA)

For a high-deductible insurance plan that provides self-only coverage, the annual deductible amount must be between \$2,200 and \$3,250 for 2014. Total out-of-pocket expenses under a plan that provides self only coverage cannot exceed \$4,350. The annual deductible amount must be between \$4,350 and \$6,550 for a plan that provides family coverage in 2014, with out-of-pocket expenses that do not exceed \$8,000.

Although new MSAs are not allowed, maximum contributions to an existing MSA that are attributable to a single-coverage plan is 65% of the deductible amount. Maximum contributions for a family-coverage plan are limited to 75% of the deductible amount. MSA contributions must be coordinated with any HSA

contributions for the taxable year and cannot exceed the HSA maximums.

	2011	2012	2013	2014
Minimum deductible amounts for the qualifying high deductible health plan (HDHP)				
Individual coverage	\$2,050 - \$3,050	\$2,100 - \$3,150	\$2,150 - \$3,200	\$2,200 - \$3,250
Family coverage	\$4,100 - \$6,150	\$4,200 - \$6,300	\$4,300 - \$6,450	\$4,350 - \$6,550
Maximum contribution levels				
Individual coverage - percentage of deductible amount	65%	65%	65%	65%
Family coverage - percentage of deductible amount	75%	75%	75%	75%
Maximums for HDHP out-of-pocket expenses				
Individual coverage	\$4,100	\$4,200	\$4,300	\$4,350
Family coverage	\$7,500	\$7,650	\$7,850	\$8,000

Dependent and/or Child Daycare Expenses

Just a reminder that although the daycare expense limit associated with a cafeteria plan is not indexed, the tax credit available through a participant's tax filing was raised in 2003. The daycare credit must be filed on Form 2441 and attached to the 1040 tax filing form. The limits for the daycare credit expenses are \$3,000 of expenses covering one child and \$6,000 for families with two or more children. If one of the parents is going to school full time or is incapable of self-care, the non-working spouse would be "deemed" as earning \$250 per month for one qualifying child and \$500 for two or more qualifying children. This "deemed" earned income is used whether a person is using the employer's cafeteria plan or taking the daycare credit.

The cafeteria plan daycare contribution limit is \$5,000 for a married couple filing a joint return, or for a single parent filing as "Head of Household." For a married couple filing separate returns, the limit is \$2,500 each. The daycare credit is reduced dollar for dollar by contributions to or benefits received from an employer's cafeteria plan. An employee may participate in their employer's cafeteria plan and take a portion of the daycare expenses through the credit if they have sufficient expenses in excess of their cafeteria plan annual election, but within the tax credit limits.

Commuter Accounts

For 2014, the monthly parking amount increases from \$245 in 2013 to \$250. The 2014 monthly limit for transit decreases from \$245 in 2013 to \$130 in 2014.

	2011	2012	2013	2014
Parking - monthly limit	\$230	\$240	\$245	\$250
Transit and Vanpooling - monthly limit	\$230	\$240	\$245	\$130*

*Previous legislation expires 12/31/2013

Long-Term Care

For a qualified long-term care insurance policy, the maximum non-taxable payment is now \$330 per day for 2014.

	2011	2012	2013	2014
Non-taxable per day payment	\$300	\$310	\$320	\$330

You can find the Revenue Procedures [here](#).

Standard Mileage Rates

Although not an indexed figure, the standard mileage rates changed for 2014:

PURPOSE	2012	2013	2014
Business	.555	.565	.56
Medical/Moving	.23	.24	.235
Charitable	.14	.14	.14

Earned Income Tax Credit (EITC)

Finally, by participating in a cafeteria plan, the participant will be lowering their income for the Earned Income Tax Credit (EITC). Check out the new limits in IRS Publication 596 "Earned Income Credit" and for more information about this tax credit.