

# New Indexed Figures for 2013 - Revised

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 indexed figures for 2013.

## Social Security and Medicare Wage Base

For 2013, the Social Security wage base increases to \$113,700 from \$110,100 in 2012. Unless Congress acts to extend the current reduction in the tax rate for employee withholdings, they will increase to 7.65% in 2013 from the 5.65% withheld in 2012. 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.

	2010	2011	2012	2013
Social Security Wage Base	\$106,800	\$106,800	\$110,100	\$113,700
Employee Social Security Rate	6.2%	4.2%	4.2%	6.2%
Employee Medicare Rate	1.45%	1.45%	1.45%	1.45%
Total Employee Rate	7.65%	5.65%	5.65%	7.65%
Employer Matching Rate	7.65%	7.65%	7.65%	7.65%

## Indexed Compensation Levels

The indexed compensation levels for determining who is considered highly compensated or a key employee remains unchanged for 2013:

	2010	2011	2012	2013
Highly Compensated Employee	\$110,000	\$110,000	\$115,000	\$115,000
Top Paid Group of 20%	\$110,000	\$110,000	\$115,000	\$115,000
Key Employee, Officer	\$160,000	\$160,000	\$165,000	\$165,000

## 401(k) Plans

In 2013, the maximum for elective deferrals increases to \$17,500. The catch-up contribution for those 50 or older remains at \$5,500 for 2013 (no change from 2012). That means if you are age 50 or over during the 2013 taxable year, you may generally defer up to \$23,000 into your 401(k) plan.

	2010	2011	2012	2013
Maximum Employee Deferral	\$16,500	\$16,500	\$17,000	\$17,500
Catch up allowed for those 50 and over	\$5,500	\$5,500	\$5,500	\$5,500

## Health FSA

We have an additional indexed figure to track starting in 2013. It's the annual limit for participant salary reductions for the health flexible spending account (FSA). For plan years starting on or after January 1, 2013, the participant salary reduction amount to the cafeteria plan's health FSA portion of the plan may not exceed \$2,500. However, this does not preclude employer contributions to health FSAs.

## Adoption Credit

For 2013, this tax credit increases from \$12,650 to \$12,970. The credit starts to phase out at \$194,580 of modified adjusted gross income (AGI) levels, and is completely phased out when modified AGI reaches \$234,580.

	2010	2011	2012	2013
Phase Out (modified AGI)	\$182,520 - \$222,520	\$185,210 - \$225,210	\$189,710 - \$229,710	\$194,580 - \$234,580
Adoption Expenses	\$13,170	\$13,360	\$12,650	\$12,970

The exclusion from income provided through an employer or a Section 125 cafeteria plan for adoption assistance also has a \$12,970 limit for the 2013 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.

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### Health Savings Account (HSA)

Minimum deductible amounts for the qualifying high-deductible health plan (HDHP) increase to \$1,250 for self-only coverage and \$2,500 for family coverage in 2013. Maximums for the HDHP out-of-pocket expenses increase to \$6,250 for self-only coverage and \$12,500 for family coverage.

Maximum contribution levels to an HSA also increased for 2013 to \$3,250 for self-only coverage and \$6,450 for family coverage. The catch-up contribution allowed for those 55 and over is set at \$1,000 for 2013. 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.

	2010	2011	2012	2013
Minimum deductible amounts for the qualifying high deductible health plan (HDHP)				
Individual coverage	\$1,200	\$1,200	\$1,200	\$1,250
Family coverage	\$2,400	\$2,400	\$2,400	\$2,500
Maximum contribution levels				
Individual coverage	\$3,050	\$3,050	\$3,100	\$3,250
Family coverage	\$6,150	\$6,150	\$6,250	\$6,450
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	\$5,950	\$6,050	\$6,250
Family coverage	\$11,900	\$11,900	\$12,100	\$12,500

### Archer Medical Savings Account (MSA)

For a high-deductible insurance plan that provides self-only coverage, the annual deductible amount must be between \$2,150 and \$3,200 for 2013. Total out-of-pocket expenses under a plan that provides self only coverage cannot exceed \$4,300. The annual deductible amount must be between \$4,300 and \$6,450 for a plan that provides family coverage in 2013, with out-of-pocket expenses that do not exceed \$7,850.

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.

	2010	2011	2012	2013
Minimum deductible amounts for the qualifying high deductible health plan (HDHP)				
Individual coverage	\$2,000 - \$3,000	\$2,050 - \$3,050	\$2,100 - \$3,150	\$2,150 - \$3,200
Family coverage	\$4,050 - \$6,050	\$4,100 - \$6,150	\$4,200 - \$6,300	\$4,300 - \$6,450
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	\$4,050	\$4,100	\$4,200	\$4,300
Family coverage	\$7,400	\$7,500	\$7,650	\$7,850

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### Dependent and/or Child Day Care Expenses

Just a reminder that although the day care 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 day care credit must be filed on Form 2441 and attached to the 1040 tax filing form.

The limits for the day care 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 day care credit.

The cafeteria plan day care 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 day care 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 day care 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 2013, the monthly parking amount increases from \$240 in 2012 to \$245. With the transit parity restored back to the 2012 calendar year, the 2013 monthly limit for transit also increases from \$240 in 2012 to \$245 in 2013.

	2010	2011	2012	2013
Parking - monthly limit	\$230	\$230	\$240	\$245
Transit and Vanpooling - monthly limit	\$230	\$230	\$240	\$245

### Long-Term Care

For a qualified long-term care insurance policy, the maximum non-taxable payment is now \$320 per day for 2013.

You can find the Revenue Procedures at: <http://www.irs.gov/pub/irs-drop/rp-13-15.pdf> and <http://www.irs.gov/pub/irs-drop/RP-12-41.pdf>

	2010	2011	2012	2013
Non-taxable per day payment	\$290	\$300	\$310	\$320

You can find the Revenue Procedures at: <http://www.irs.gov/pub/irs-drop/rp-13-15.pdf> and <http://www.irs.gov/pub/irs-drop/RP-12-41.pdf>

### Standard Mileage Rates

Although not an indexed figure, the standard mileage rates were increased for 2013:

PURPOSE	2010	1/1/2011 - 6/30/2011	7/1/2011 - 12/31/2011	2012	2013
Business	.50	.51	.555	.555	.565
Medical / Moving	.165	.19	.235	.23	.24
Charitable	.14	.14	.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.

The information contained in this memo is not intended to be legal, accounting, or other professional advice. We assume no liability whatsoever in connection with its use, and these comments are not directed to specific situations.