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LeTourneau was one of the first people in the country to earn the Advanced Certification in Flexible Compensation Instruction designation sponsored by the Employers Council on Flexible Compensation. She is a certified trainer in the ACFCI program.

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## The Benefits Brief...

# 2014 Indexed Figures

The Internal Revenue Service (IRS) and Social Security Administration have released the cost-of-living adjustments (COLA) that apply to dollar limitations set forth in certain IRS code sections. The Consumer Price Index rose enough since the third quarter of 2013 to warrant an increase in some of the 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 percent is applied to wages up to the maximum taxable amount for the year; the Medicare portion of 1.45 percent applies to all wages.

In addition, as of the 2013 taxable year, if taxpayers have self-employment income that exceeds specific threshold amounts, they are liable for a .9 percent "additional Medicare tax."

### Indexed Compensation Levels

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

### 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 those age 50 or older may generally defer up to \$23,000 into their 401(k) plans during the 2014 taxable year.

### Health FSAs

We started tracking an additional indexed figure in 2013—the annual limit for participant salary reductions for health flexible spending accounts (FSA). For plan years starting on or after January 1, 2014, a participant's salary reduction amount for the FSA portion of a cafeteria plan may not exceed \$2,500. This did not change from 2013; however, this does not preclude employer contributions from being added to participants' health FSAs—as long as the contributions are not convertible to cash.

### 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

Table 1  
Indexed Compensation Levels

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

income (AGI) levels and is completely phased out when modified AGI reaches \$237,880.

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, participants may take the exclusion from income and the tax credit if enough expenses are incurred to support both programs separately.

#### Health Savings Accounts (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 older is set at \$1,000 for 2014. Remember, there are two requirements in order to fund an HSA: You must have qualifying HDHP coverage and no other coverage under another employer's plan or from a health FSA that is not specifically compatible with an HSA.

#### Archer Medical Savings Accounts (MSA)

For a high-deductible insurance plan that provides self-only coverage, the annual deductible amount must be at least \$2,200 but not more than \$3,250 for 2014. Total

out-of-pocket expenses under a plan that provides self-only coverage cannot exceed \$4,350. For a plan that provides family coverage, the annual deductible amount must be at least \$4,350 but not more than \$6,550, 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 percent of the deductible amount. Maximum contributions for a family plan are limited to 75 percent of the deductible amount. MSA contributions must be coordinated with any HSA contributions for the taxable year and cannot exceed the HSA maximums.

#### 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 participants' tax filings was raised in 2003. The daycare credit must be filed on Form 2441 and attached to the 1040 tax filing form. The limits for daycare credit expenses are \$3,000 of expenses covering one child and \$6,000 for 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 an employer's cafeteria plan or taking the daycare credit.

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. Employees 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 unless Congress acts because previous legislation expired December 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.

**One final note:** By participating in a cafeteria plan, participants 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. 🌐

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