



**Compliance Update - 10/26/2016:
2017 Index Figures**

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 0.3% and therefore warranted slight increases in some indexed figures for 2017.

Social Security and Medicare Wage Base

For 2017, the Social Security wage base is \$127,200. 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. In addition, starting with the 2013 taxable year, individuals are liable for a 0.9 percent "Additional Medicare Tax" on all wages exceeding specific threshold amounts.

	2014	2015	2016	2017
Social Security Wage Base	\$117,000	\$118,500	\$118,500	\$127,200
Employee Social Security Rate	6.2%	6.2%	6.2%	6.2%
Employee Medicare Rate	1.45%	1.45%	1.45%	1.45%
Total Employee Rate	7.65%	7.65%	7.65%	7.65%
Employer Matching Rate	7.65%	7.65%	7.65%	7.65%

Indexed Compensation Levels

For highly compensated and Key Employee definitions:

	2014	2015	2016	2017
Highly Compensated Employee	\$115,000	\$120,000	\$120,000	\$120,000
Top Paid Group of 20%	\$115,000	\$120,000	\$120,000	\$120,000
Key Employee, Officer	\$170,000	\$170,000	\$170,000	\$175,000

401(k) Plans

	2014	2015	2016	2017
Maximum Employee Deferral	\$17,500	\$18,000	\$18,000	\$18,000
Catch up allowed for those 50 and over	\$5,500	\$6,000	\$6,000	\$6,000

Healthcare FSA

	2014	2015	2016	2017
Salary Reduction Annual Limit	\$2,500	\$2,550	\$2,550	\$2,600

Adoption Credit

	2014	2015	2016	2017
Phase Out (modified AGI)	\$197,880 to \$237,880	\$201,010 to \$241,010	\$201,920 to \$241,920	\$203,540 to \$243,540
Adoption Expenses	\$13,190	\$13,400	\$13,460	\$13,570

The exclusion from income provided through an employer or a Section 125 cafeteria plan for adoption assistance also has a \$13,570 limit for the 2017 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)

	2014	2015	2016	2017
Minimum deductible amounts for the qualifying high-deductible health plan (HDHP)				
Individual coverage	\$1,250	\$1,300	\$1,300	\$1,300
Family coverage	\$2,500	\$2,600	\$2,600	\$2,600
Maximum contribution levels				
Individual coverage	\$3,300	\$3,350	\$3,350	\$3,400
Family coverage	\$6,550	\$6,650	\$6,750	\$6,750
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	\$6,350	\$6,450	\$6,550	\$6,550
Family coverage	\$12,700	\$12,900	\$13,100	\$13,100

Archer Medical Savings Account (MSA)

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.

	2014	2015	2016	2017
Minimum deductible amounts for the qualifying high deductible health plan (HDHP)				
Individual coverage	\$2,200 - \$3,250	\$2,200 - \$3,300	\$2,250 - \$3,350	\$2,250 - \$3,350
Family coverage	\$4,350 - \$6,550	\$4,450 - \$6,650	\$4,450 - \$6,700	\$4,500 - \$6,750
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	\$4,350	\$4,450	\$4,450	\$4,500
Family coverage	\$8,000	\$8,150	\$8,150	\$8,250

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

	2014	2015	2016	2017
Parking - monthly limit	\$250	\$250	\$255	\$255
Transit and Vanpooling - monthly limit	\$250	\$250	\$255	\$255

Long-Term Care

	2014	2015	2016	2017
Non-taxable per day payment	\$330	\$330	\$340	\$360

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

Standard Mileage Rates

Purpose	2014	2015	2016	2017
Business	.56	.575	.54	.535
Medical/Moving	.235	.23	.19	.17
Charitable	.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.

Thank you,
WageWorks



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