

POP INSIGHTS

Your Source for Information on IRS Section 125 Premium Only Plans



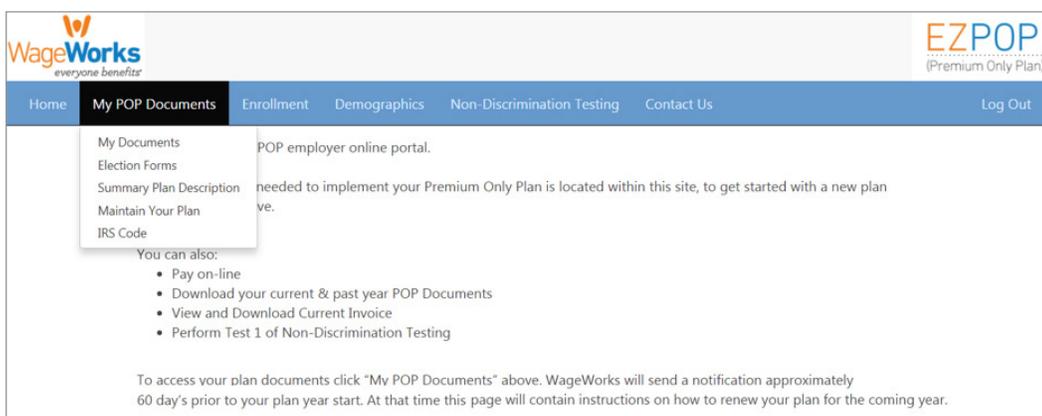
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EZPOP.com enhanced website features

A complete set of the self-administered, Annual POP renewal compliance documents are always available to you at any time at EZPOP.com. Just log into your EZPOP account, through the Employer Login, using your EZPOP WageWorks Customer ID and zip code. Click on the My POP Documents tab and select My Documents. Click "View PDF" to open the document you want, then save an entire copy to your computer.



Now available for EZ POP renewal access:

My POP Documents - The dropdown menu provides you with access to the following:

- **My Documents** – a complete PDF set of the POP documents.
- **Employee Election Forms** – the annual Employee Election Forms.
- **Summary Plan Description** – the current Summary Plan Description (SPD).
- **Maintain Your Plan** – the Change of Status Matrix for determining qualified events for mid-plan year enrollment changes.
- **IRS Code** – definitions of the IRS Code and Regulations.

Enrollment – the checklist Compliance Confirmation Form (also found in the documents PDF), with the necessary document updates, actions required with a link to the document.

Demographics – to make demographic changes at any time.

Payments – to pay your invoice online with a credit card.

Non-Discrimination Testing – the Eligibility Test (Test 1 of 4), to complete and pass online and retain for your records, if you don't offer an HSA plan.

Contact Us – the POP department phone number, email address, and POP payment address if you need to send your payment by check.

IRS Compliance Information – Things you may need to know:

Who is a Dependent?

The IRS issued proposed regulations [26 CFR Parts 1 and 301](#) in January 2017 regarding the definition of a dependent. These proposed regulations provide guidance and clarification for the current definitions under Internal Revenue Code (IRC) [Section 152](#) plus other conditions introduced by the Working Families Tax Relief Act of 2004 (WFTERA) and by the Fostering Connections to Success and Increasing Adoptions Act of 2008 (FCSIAA).

At first glance, it seems this is a change to the definition of dependents, however, after a careful read, it becomes clear that these are proposed regulations. Regulations that follow, clarify, and detail how to interpret and apply the regulations to the various applicable IRC code sections. Thus, IRC code section 152 stays the same.

Although the IRS did not change the code sections, we'll step through an abbreviated definition of "Qualifying Child" and "Qualifying Relative" and then highlight some of the changes applied to the existing regulations.

There are 5 tests for a Qualifying Child (QC):

The Relationship test requires the QC to be a child of the taxpayer or descendant of such a child; or A brother, sister, stepbrother, or stepsister of the taxpayer, or a descendant of any of these relatives.

The Residency test requires the QC to have the same principal place of residence as the taxpayer for more than one-half of the taxable year. There are additional rules relating to principal residence and temporary absence explained later in this article.

The Age test requires the QC to be younger than the taxpayer and not to have attained age 19, or, if a student, age 24. The age requirement is treated as satisfied if the individual is permanently and totally disabled at any time during the calendar year.

The Support test prohibits the QC from providing more than one half of their own support

The Joint return test prohibits the QC from filing a joint return, other than solely to claim a refund of estimated or withheld taxes, with the individual's spouse.

There are updated **"Tiebreaker" rules** when more than one taxpayer claims the same child that satisfies the definition of a qualifying child. These rules are explained later in this article.

There are 4 tests, a condition and some exceptions for a Qualifying Relative (QR):

The Relationship test requires the QR to bear a specific relationship to the taxpayer, including requiring the same principal place of abode as the taxpayer and to be a member of the taxpayer's household for the taxable year of the taxpayer.

The Gross Income test requires the QR to have Gross income that is less than the exemption amount. However, the income of disabled or handicapped individuals is not counted for services at a sheltered workshop that has availability of medical care and the income is incident to the medical care.

The Support test requires the QR to receive over one-half of their support from the taxpayer, with certain exceptions, noted below.

The QR cannot be a qualifying child of the taxpayer or of any other taxpayer for any taxable year beginning in the calendar year in which such taxable year begins.

Additional conditions apply to both descriptions of a qualifying child or a qualifying relative.

Exceptions

- If an individual is a dependent of a taxpayer for a taxable year, the individual is treated as having no dependents for purposes of section 152 beginning in the calendar year in which the taxpayer's taxable year begins.
- If the individual is married and files a joint return, other than solely to claim a refund of estimated or withhold taxes, that individual is not treated as a dependent.
- An individual who is not a citizen or national of the United States is not treated as a dependent of a taxpayer unless the individual is a resident of the United States or of a country, Canada or Mexico, contiguous to the United States.
- The limitation does not apply to an adopted child if the child has the same principal abode as the taxpayer if the taxpayer is a citizen or national of the United States.

Highlighted Changes

The new proposed regulations reflect current law by amending the previous regulations relating to the surviving spouse and head of household filing statuses, the tax tables for individuals, the child and dependent care credit, the earned income credit, the standard deduction, joint tax returns, and taxpayer identification numbers for children placed for adoption.

The proposed regulations also change the IRS' position regarding:

- The category of taxpayers permitted to claim the childless earned income credit and
- The adjusted gross income of a taxpayer filing a joint return for purposes of the tiebreaker rules.

In general, for purposes of five different provisions, the tiebreaker rules for determining which taxpayer may claim a child as a qualifying child apply as a group, rather than on a section-by-section basis.

The new regulations change the emphasis for determining whether a person is a dependent from looking at who provided a qualifying child's support to looking at the qualifying child's principal place of residence. In addition, there is an important distinction in support between a qualifying child and a qualifying relative. While the qualifying child may not **provide** more than half of their own support, a qualifying relative **must receive** over half their support from the taxpayer.

A child is considered to have the same principal place of residence as a taxpayer even during a taxpayer's temporary absence. The definition of "temporary absence" is described as a failure to occupy a common residence because of illness, education, business, vacation, military service, and other special circumstances. Added to the new regulations is a requirement that it is reasonable to assume that the absent person will return to the household.

The new regulations also expand on the method of utilizing a taxpayer's adjusted gross income under the "tiebreaker" rules. This rule is employed when a child can be claimed by more than one taxpayer. If the qualifying child meets the definition for two or more taxpayers, the eligible taxpayer who is a parent may claim the individual as a qualifying child. If there is no eligible parent, then the qualifying child may be claimed by the eligible taxpayer with the highest adjusted gross income.



IRS Announces Increased 2019 HSA Index Figures

On May 10, 2018 the IRS released the new Health Savings Account (HSA) index figures for 2019. The 2019 index includes increases to most HSA amounts.

The IRS provides this early release to help plan sponsors and participants budget for the upcoming year. See the table below for details and the IRS Revenue Procedure publication (RP-2018-30) for the text of the 2019 index figures.

2019 Health Savings Account Index Figures

	2018	2019
Minimum deductible amounts for the qualifying high-deductible health plan (HDHP)		
Individual coverage	\$1,350	\$1,350
Family coverage	\$2,700	\$2,700
Maximum contribution levels		
Individual coverage	\$3,450	\$3,500
Family coverage	\$6,900	\$7,000
Catch-up contribution allowed for those 55 and over	\$1,000	\$1,000
Maximums for HDHP out-of-pocket expenses		
Individual coverage	\$6,650	\$6,750
Family coverage	\$13,300	\$13,500

[Click here](#) for a chart containing historical HSA index figures dating back to 2004.

**Reminder: Don't risk potential fines and penalties!
Make sure to complete your annual POP compliance.**