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Julie assists with a variety of compliance issues related to employee benefits and the ACA, ERISA and other federal and state regulations.

Employee Benefits – Question of the Month

January 2020

Q: I have two employees who participate in our High Deductible Health Plan and are asking questions about whether they might have over-contributed to their HSA for 2019. These contributions were made through pre-tax deductions from their pay.

Employee A and her husband were enrolled in the HDHP from January 1, 2019 through the end of May. After that, she was enrolled in employee-only coverage, still on the HDHP. She contributed \$6,000 to her HSA in 2019.

Employee B was enrolled in the employee-only coverage under the HDHP from January 1, 2019 through the end of March. After that, he switched to family coverage in the HDHP. He contributed \$5,000 to his HSA in 2019.

Have either of these employees exceeded their maximum allowable HSA contribution for the year? If so, what can they or I do to fix it?

A: Both employees need to determine their maximum HSA contribution based on the coverage level they had each month. For 2019, the maximum annual contribution for employee-only coverage was \$3,500 (\$291.67 per month) and the maximum for family coverage was \$7,000 (\$583.33 per month). Individuals who are 55 or older can contribute an extra \$1,000 per year, but for the sake of simplicity I'm going to assume both employees are under 55.

If an employee's coverage level changes at some point in the year, then the monthly contribution limit for the remainder of the year also changes.

Employee A	Allowable Contribution
5 months of EE/SP coverage at \$583.33/mo.	\$2,916.65
7 months of EE-only coverage at \$291.67/mo.	\$2,041.69
Total Maximum Contribution	\$4,958.34

Employee A has slightly overcontributed to her HSA and has until April 15, 2019 to correct that by withdrawing the excess contribution and paying taxes on that amount. You might be able to help with that; I recommend discussing with your payroll provider or accountant.

Employee B	
3 months of EE-only coverage at \$291.67/mo.	\$875.01
9 months of Family coverage at \$583.33/mo.	\$5,249.97
Total Maximum Contribution	\$6,124.98

Employee B has under-contributed and has until April 15, 2020, to contribute up to the applicable maximum (\$6,124.98) if he wants to do so.

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