

November 2016

IRS Announces 2017 Employee Benefits Inflation-Adjusted Amounts

The new amounts for employee benefit plans have been announced for 2017. The following dollar limits are the new employee benefit parameters for taxable years beginning in 2017, as adjusted for inflation. The IRS announced them in [Revenue Procedure 2016-55](#).

Cafeteria Plans: The dollar limitation on salary reduction amounts to healthcare flexible spending accounts (“FSA”) under § 125(i) will be **\$2,600** for 2017 (previously \$2,550).

Qualified Transportation Fringe Benefits: The monthly limitation under § 132(f)(2)(A) for the aggregate fringe benefit exclusion amount for transportation in a commuter highway vehicle for any transit pass and under § 132(f)(2)(B) for the fringe benefit exclusion amount for qualified parking will remain **\$255** for 2017.

Adoption Assistance Programs: Under § 137, the 2017 amount that can be excluded from an employee’s gross income for the adoption of a child with special needs is **\$13,570** (previously \$13,460). That’s the same amount that can be excluded from an employee’s gross income for the amounts paid or expenses incurred by an employer for qualified adoption expenses furnished pursuant to an adoption assistance program for other adoptions by the employee. The amount excludable from an employee’s gross income begins to phase out under § 137(b)(2)(A) for taxpayers with 2017 modified adjusted gross income in excess of **\$203,540** (previously \$201,920).

Requirement to Maintain Minimum Essential Coverage (“MEC”): The applicable dollar penalty amount under § 5000(A)(c) for failure to maintain MEC will remain at **\$695** (per adult) for the 2017 **calendar year**.

Failure to File Correct Information Returns (§6721) and Failure to Furnish Correct Payee Statements (§ 6722): The general penalty amount for 2017 will remain at **\$260** per return. However, the maximum penalty will increase to **\$3,218,500** (previously \$3,193,000). These penalties apply to Forms 1094/1095 (B and C Series).

Health Insurance Expense of Small Employers: The 2017 dollar amount in effect under § 45R(d)(3)(B) is **\$26,200** (previously \$25,900). This amount is used under § 45R(c) for limiting the small employer health insurance credit available to certain small employers who purchase group health coverage from the Marketplace. In addition, the average wage criteria for small employers to be eligible to claim a tax credit in 2017 will be determined based on average wages up to two times the amount or **\$52,400** (previously \$51,800) in accordance with § 45R(d)(1)(B).

Earlier this year, the IRS announced the calendar year 2017 amounts in effect for **Health Savings Accounts** and **High Deductible Health Plans (HDHP)** under § 223 in [Revenue Procedure 2016-28](#). Those amounts are:

	Minimum In-Network Deductible		In-Network Out-of-Pocket limit		Annual Contribution Limit	
	2017	2016	2017	2016	2017	2016
Self-Only	\$1,300	\$1,300	\$6,550	\$6,550	\$3,400	\$3,350
Other	\$2,600	\$2,600	\$13,100	\$13,100	\$6,750	\$6,750

2017 refers to the taxable years beginning in 2017 unless otherwise noted

ADDITIONAL INFORMATION

Information contained in this UPDATE is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. Cherry Bekaert Benefits Consulting, LLC provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, transaction services, and compensation and human resources.

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