



2018 Updates as of 11-6-2017

401(k) Contribution Limit Increases to \$18,500 for 2018. The IRS has announced the cost-of-living adjustments applicable to dollar limits on the benefits and contributions under qualified retirement plans, as well as other items for tax year 2018. The dollar limit on employee elective deferrals to 401(k), 403(b), and 457(b) plans increases to \$18,500 (from \$18,000 in 2017). Notice 2017-64.

Social Security Wage Base Increases to \$128,400 for 2018. The Social Security Administration (SSA) has announced that the 2018 social security wage base increases to \$128,400 (from \$127,200 in 2017). The maximum social security tax that employees and employers will each pay in 2018 increases to \$7,960.80 (from \$7,886.40 in 2017). **Updated 11-28-2017**

IRS Announces 2018 COLAs for Transportation Fringes, FSA Deferrals, Foreign Earned Income Exclusion, and More. For 2018, the maximum excludable qualified transportation fringe increases to \$260 per month (from \$255 in 2017); the maximum employee contribution to a health flexible spending arrangement increases to \$2,650 (from \$2,600 in 2017); and the maximum foreign earned income exclusion amount increases to \$104,100 (from \$102,100 in 2017). Rev. Proc. 2017-58.

State Unemployment Insurance Taxable Wage Bases for 2018. Most states have released their state unemployment insurance (SUI) taxable wage bases for 2018.

State and Local News.

- **Alaska** – minimum wage increased
- **California** – overtime exemptions for computer software professionals, physician increased
- **Connecticut** – withholding tables, calculation rules unchanged
- **Florida** – minimum wage increased, tip credit unchanged
- **Illinois** – filing deadline for Forms W-2 accelerated
- **Montana** – minimum wage increased; withholding tables unchanged
- **New Jersey** – minimum wage, tip credit increased
- **New Mexico** – Albuquerque minimum wage, tip credit increased; Bernalillo County minimum wage and tip credit increased
- **Ohio** – minimum wage, tip credit increased
- **Pennsylvania** – employer and employee UC contribution rates announced
- **Rhode Island** – paid sick leave enacted
- **Utah** – withholding guide updated
- **Wisconsin** – Forms W-2, electronic filing threshold decreased

**** See 2018 State Taxable Wage Base Chart for additional information**



2018 Pension, Other COLAs Announced

401(k) Contribution Limit Increases to \$18,500 for 2018

The IRS has announced the changes to the dollar limits on benefits and contributions under qualified retirement plans, as well as other items, for tax year 2018 [IRS Notice 2017-64, 10-19-17; <https://www.irs.gov/pub/irs-drop/n-17-64.pdf>].

- The limitation on the exclusion for elective deferrals under §402(g)(1) (e.g., §401(k) and §403(b) plans) increases to \$18,500 (from \$18,000).
- The limit on annual additions to defined contribution plans under §415(c)(1)(A) increases to \$55,000 (from \$54,000).
- The limit on the annual benefit under a defined benefit plan contained in §415(b)(1)(A) increases to \$220,000 (from \$215,000).
- The annual compensation limit under §401(a)(17), §404(l), §408(k)(3)(C), and §408(k)(6)(D)(ii) increases to \$275,000 (from \$270,000).
- The compensation amount under §408(p)(2)(E) regarding elective deferrals to SIMPLE retirement accounts remains unchanged at \$12,500.
- The limitation under §457(e)(15) concerning elective deferrals to deferred compensation plans of state and local governments and tax-exempt organizations (§457(b) plans) increases to \$18,500 (from \$18,000).
- The limitation under §416(i)(1)(A)(i) concerning the definition of “key employee” in a top-heavy plan remains unchanged at \$175,000.
- The limitation under §414(v)(2)(B)(i) for catch-up contributions to §§401(k), 403(b), and 457(b) plans for individuals age 50 or over remains unchanged at \$6,000; the limitation under §414(v)(2)(B)(ii) for catch-up contributions to an employer’s SIMPLE plan for individuals age 50 or over remains unchanged at \$3,000.
- The limitation used in the definition of “highly compensated employee” under §414(q)(1)(B) remains unchanged at \$120,000.
- The compensation amount under §408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at \$600.



- The compensation amount under federal regulation §1.61-21(f)(5)(i), concerning the definition of “control employee” for fringe benefit valuation purposes, increases to \$110,000 (from \$105,000). The compensation amount under §1.61-21(f)(5)(iii) increases to \$220,000 (from \$215,000).

IRS Announces 2018 COLAs for Transportation Fringes, FSA Deferrals, Foreign Earned Income Exclusion, and More

The IRS has released inflation-adjusted tables for 2018 reflecting any increases in the FSA deferral limit, foreign earned income exclusion, and excludable transportation fringes, among other changes [Rev. Proc. 2017-58, 10-19-17; <https://www.irs.gov/pub/irs-drop/rp-17-58.pdf>].

Qualified transportation fringes

The amounts that may be excluded from gross income for employer-provided “qualified transportation fringe benefits” and for “transportation in a commuter highway vehicle and any transit pass” for 2018 are both \$260 per month (up from \$255 in 2017).

Health flexible spending arrangements

For plan years beginning in 2018, the dollar limitation under §125(i) on voluntary employee salary reductions for contributions to health flexible spending arrangements is \$2,650 (up from \$2,600 in 2017).

Standard deduction

The standard deduction amounts for 2018 increase to \$13,000 for married couples filing jointly or surviving spouses (up from \$12,700 in 2017), \$6,500 for single taxpayers and married taxpayers filing separately (up from \$6,350 in 2017), and \$9,550 for heads of household (up from \$9,350 in 2017).

Personal exemption

The personal exemption amount for 2018 is \$4,150 (\$4,050 in 2017).

Foreign earned income exclusion

For 2018, the maximum foreign earned income exclusion amount under IRC §911(b)(2)(D)(i) is \$104,100 (\$102,100 in 2017). The maximum amount of the foreign housing cost exclusion is \$14,574 (\$14,294 in 2017).



Medical Savings Accounts

To be eligible to make contributions to a Medical Savings Account (or to have the employer make the contributions), an employee must be covered by a high deductible health plan. For 2018, a high deductible health plan is a plan with an annual deductible of \$2,300-\$3,450 for individual coverage (\$2,250-\$3,350 in 2017) and \$4,600-\$6,850 for family coverage (\$4,500-\$6,750 in 2017).

Maximum out-of-pocket expenses can be no more than \$4,600 for individual coverage (up from \$4,500 in 2017) and \$8,400 for family coverage (up from \$8,250 in 2017).

Long-term care insurance benefits

If a long-term care insurance contract makes per diem benefit payments, the amount of the payments that is excluded from income in 2018 is capped at \$360 per day (unchanged from 2017).

Adoption assistance

For 2018, the maximum amount that can be excluded from an employee's gross income for qualified adoption expenses under an employer's adoption assistance program is \$13,840 (\$13,570 in 2017). The maximum amount that can be excluded in connection with the adoption of a child with special needs is \$13,840 (\$13,570 in 2017).

The amount excludable from an employee's gross income begins to phase out for taxpayers with adjusted gross income of \$207,580 (\$203,540 in 2017) and is completely phased out for taxpayers with adjusted gross income of \$247,580 (\$243,540 in 2017).

Pipeline construction industry per diem option

For 2018, an eligible employer may pay certain welders and heavy equipment mechanics up to \$18 per hour for rig-related expenses that will be deemed substantiated under an accountable plan (up from \$17 in 2017) and up to \$11 per hour for fuel (unchanged from 2017), when paid in accordance with Rev. Proc. 2002-41 (2002-23 IRB 1098).