



# EMPLOYEE BENEFITS BULLETIN

January, 2009

## **2009 COST OF LIVING ADJUSTMENTS**

On October 16, 2008, the IRS released certain cost of living adjustments for 2009 under various provisions of the Internal Revenue Code (the Code). Some of these adjustments may affect your employee benefit plans.

### **Qualified Transportation Fringe Benefits**

For taxable years beginning 2009, the monthly exclusion limitation for transportation in a commuter highway vehicle and any transit pass is \$120, increased from \$115 for 2008. The monthly exclusion limitation for qualified parking expenses is \$230, increased from \$220 in 2008.

### **Highly Compensated**

The compensation threshold for a highly compensated individual or participant (as defined by Code Section 414(q)(1)(B) for purposes of Section 125 nondiscrimination testing) is increased from \$105,000 to \$110,000. The definition of highly compensated under Proposed Treasury Regulation 1.125-7(a)(9) means any individual or participant who for the preceding plan year (or the current plan year in the case of the first year of employment) had compensation in excess of the compensation amount as specified in Code Section 414(q)(1)(B).

### **Key Employee**

The dollar limitation under Code Section 416(i)(1)(A)(i) concerning the definition of a key employee is increased from \$150,000 to \$160,000. For purposes of cafeteria plan nondiscrimination testing, a key employee is defined in proposed regulations as a participant who is a key employee within the meaning of Code Section 416(i)(1) at any time during the preceding plan year.

### **Health Savings Accounts**

As a reminder, the inflation adjustments for health savings accounts (HSAs) for 2009 were provided by the IRS earlier in the year in Rev. Proc. 2008-29.

**Annual contribution limitation.** For calendar year 2009, the limitation on deductions is **\$3,000** for an individual with **self-only coverage** under a high deductible health plan and **\$5,950** for an individual with **family coverage**.

**High deductible health plan.** For calendar year 2009, a high deductible health plan is defined as a health plan with an **annual deductible that is not less than \$1,150 for self-only coverage or \$2,300 for family coverage**, and the **annual out-of-pocket expenses** (deductibles, co-payments, and other amounts, but not premiums) **do not exceed \$5,800 for self-only coverage or \$11,600 for family coverage**.

**Non-calendar year plans.** In cases where the HDHP renewal date is after the beginning of the calendar year (i.e. a fiscal year HDHP), any required changes to the annual deductible or out-of-pocket maximum may be implemented as of the next renewal date.

**Catch-up amounts.** While not part of the inflation adjustment contained in Rev. Proc. 2008-29, the catch-up contribution for HSAs increases to \$1,000 for 2009 and thereafter under the terms of Code 223(b)(3)(B).

**Social Security Wage Base**

In a related development, the Social Security Administration announced that the Social Security Wage Base for 2009 will be \$106,800, up from \$102,000 in 2008.

Please contact your USI broker or consultant for more information.

The *Employee Benefits Bulletin* is designed to highlight various employee benefit matters of general interest to our readers. It is not intended to interpret laws, regulations or to address specific client situations.