

March 14, 2018

Rob Neis
Office of the Benefits Tax Counsel
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

RE: Request for Transition Relief

Dear Mr. Neis:

I write on behalf of the Health Savings Account (HSA) industry to request transition relief for the recent changes to the HSA contribution limits provided by Rev. Proc. 2018-18 contained in Internal Revenue Bulletin 2018-10 released March 5, 2018.

The ABA HSA Council's members include banks, insurers, non-bank custodians and technology companies that service more than ninety-four percent of the HSAs in the United States. In the fifteen year history of the HSA program there has never been a situation where the Internal Revenue Service changed the HSA contribution limits after they had been announced previously.

Until now.

We respectfully request that the original limits be restored for 2018 as transition relief, just as consumers expect, and in order to avoid confusion. Alternatively, affected individuals should be permitted to withdraw the \$50 excess contribution from their HSA account without incurring any income tax or penalty for a non-qualified distribution; and second, affected individuals should not have to include a pro-rata share of earnings (i.e., earned interest or investment income).

The calculation of earnings will create a significant burden and expense for trustees and custodians to calculate what is most likely a small amount for the many account owners that have already contributed more than \$6,850 in 2018. One of our members has approximately 11,000 accountholders in this position, and each will require a manual calculation.

It will also be necessary to issue checks and incur postage expenses for this mid-year change. Individuals who relied on the initial contribution limits may not necessarily read or fully understand mid-year correspondence from HSA custodians and trustees on this matter, and they will be subject to an excise tax if they fail to act.

We hope you will consider this matter expeditiously and respond to the Council's request.

Respectfully,

A handwritten signature in black ink that reads "J. Kevin A. McKechnie". The signature is written in a cursive style with a large, looped initial "J".

J. Kevin A. McKechnie
Executive Director