

# HEALTH SAVINGS ACCOUNT OVERVIEW

## What is a Health Savings Account (HSA)?

A health savings account (HSA) is a bank account for health care costs. The money you contribute toward your HSA is not taxed, and can be used to pay for qualified medical expenses.

## Who is eligible for an HSA?

To be eligible for an HSA, you:

- Must be enrolled in a Qualified High Deductible Health Plan (HDHP)
- Cannot be claimed as a dependent on someone else's tax return
- Cannot be enrolled in "other health coverage"
  - "Other Health Coverage" typically includes: Medicare, Tri-Care, VA benefits, or a general-purpose Flexible Spending Account (FSA)
  - More information on eligibility requirements can be found in [IRS publication 969](#).

**Please Note:** Eligibility for an HSA is determined by Federal law. It will be your responsibility to ensure you are or are not eligible.

## What are the advantages of having an HSA?

- The money you contribute is tax deductible
- Funds in your account grow tax-free
- The money in your HSA belongs to you. Your HSA balance can roll over from year to year.
- Your HSA funds can be invested to gain returns (in an interest bearing account, mutual funds, stocks, or bonds)
- You can use HSA funds as retirement funds. Once you are 65, you can withdraw your funds for any reason, without a penalty (regular income tax rates still apply).
- If you contribute to your HSA with after-tax money, you can deduct your contributions during tax time on Form 1040.

## How much money can I contribute into my HSA?

The IRS sets the contribution limits and updates it every year. The maximum annual limits for 2017 are:

2018	Contribution Limit	Minimum Deductible	Maximum Out-of-Pocket
Individual	\$3,450	\$1,350	\$6,650
Family	\$6,900	\$2,700	\$13,300

*\*All members age 55+ are allowed a "Catch-Up Contribution" of an additional \$1,000 per year!*

A married couple can make two catch-up contribution as long as they are both eligible. The catch-up contribution of the spouse must be placed in a separate HSA that is in their name.

Anyone can make a deposit into your account (you, your spouse, your employer, etc.), but you as the account holder will be the one benefiting from contributions as the deductions on your personal tax return.

### **What happens if I contribute more than my annual limit to my HSA?**

HSA contributions and related earnings in excess of the annual IRS contribution limits, are subject to income tax along with a 6% excise tax penalty. If you have contributed too much to your HSA this year, you can avoid the excise tax penalty by doing the following:

- 1) Withdraw the excess contribution amount (and any earned interest on it) prior to the tax filing deadline, including extensions.
- 2) Withdraw any income earned on the withdrawn contributions and include those earnings as “other income” on your tax return for the year the money is withdrawn.

### **Will my contribution limit change if I opened my account in the middle or end of the year?**

No, your eligible contribution limit will not change. However, you can only be reimbursed for medical expenses that took place after you opened your HSA.

### **Does my contribution amount have to remain the same every month?**

No. You have the option of making one lump sum, or by making smaller deposits through the year.

### **Can I take money out of my HSA?**

You can take up to your annual out-of-pocket limit each year to pay for eligible medical expenses.

If you take money out of your HSA for non-eligible expenses before the age of 65, you will be subject to federal income tax and *an additional 20% penalty*.

When taking funds out of your HSA after reaching the age of 65, the 20% penalty will be waived and you will only be subject to federal income tax.

### **Now that I am age 65, can I still contribute to my HSA?**

IRS Rules indicate that you can't contribute to an HSA if you are *enrolled* in Medicare. You can use the funds already in your account, but can't add to them. You have the right to postpone applying for Social Security retirement benefits along with Medicare. If you continue to work, you can continue to contribute to your HSA.

### **Should I keep track of expenses paid using my HSA?**

Yes. A good rule of thumb is to keep all receipts and supporting documentation related to any HSA expense and reimbursement request. If audited by the IRS, you must prove that your HSA dollars were used toward eligible medical expenses.

### **Do I Need to Itemize my HSA Deductions on my Tax Return?**

No. You can complete Form 8889 and attach it to your federal tax return.

## **Eligible and Ineligible HSA Expenses**

Qualified medical expenses are described within Section 213(d) of the Internal Revenue Service Tax Code. IRS rules govern expense eligibility and state that medical care includes services and items that are meant to diagnose, cure, mitigate, treat, or prevent illness and disease. The below lists provide examples of eligible and ineligible medical expenses. It is possible that a change in IRS rules can modify expense categories. Please see [IRS Publication 502](#) for more information.

## Eligible HSA Expenses

Abortion	Drug Treatment	Operations
Acupuncture	Egg Donor Fees	Optometrist
Alcoholism Treatment	Eye Exams / Glasses	Orthodontia
Ambulance	Fertility Treatment	Osteopath
Artificial Limbs / Teeth	First Aid Kits	Oxygen
Bandages	Flu Shots	Physical Exams
Birth Control Pills	Glucose Monitoring Devices	Physical Therapy
Blood Pressure Monitoring Devices	Guide Dog	Pregnancy Test Kit
Body Scan	Hearing Aids	Prescription Drugs
Braille Books & Magazines	Home Care	Prosthesis
Breast Pumps	Hormone Replacement Therapy	Psychiatric Care
Breast Reconstructive Surgery	Hospital Services	Psychoanalysis
Capital Expenses	Immunizations	Psychologist
Chelation (EDTA) Therapy	Inclinators	Reading Glasses
Chiropractors	Insulin	Screening Tests
Christian Science Practitioner	Laboratory Fees	Sleep Deprivation Treatment
Circumcision	Lactation Assistance Supplies	Sterilization Procedures
COBRA premiums	Lamaze Classes	Sunscreen
Copays /Coinsurance/Deductibles	Lead-based paint removal	Supplies for Medical Condition
Contact Lenses/Related Material	Laser Eye Surgery	Surgery
Counseling (excludes marriage)	Learning Disability	Therapy
Crutches	Long-Term Care premiums	Transplants
Dental Treatment	Medical Records Charge	Vaccines
Dentures	Medical Services	Vasectomy
Diabetic Supplies	Nursing Services	Vision Correction Procedures
Diagnostic Services	Obstetrical Expenses	Walker/Wheelchair
	Occlusal Guards	Wig
		X-Ray Fees

### ***Individuals over the age of 65:***

Premiums for Medicare Part A, Part B, and Part D can qualify as eligible medical expenses.

If you are not age 65, you generally cannot use your HSA to pay for Medicare premiums of your spouse who is over 65.

## Ineligible HSA Expenses

Appearance Improvements	Funeral Expenses	Personal Use Items
Baby-Sitting / Child Care	Future Medical Care	Pre-Payment for Services
COBRA Premiums	Genetic Testing	Retin-A
Controlled Substances	Health Club Dues	Rogaine
Cosmetics	Household Help	Safety Glasses
Cosmetic Procedures	Illegal Operations	Student Health Fee
Chemical Peels	Insurance Premiums	Sunglass Clips
Dancing Lessons	Long-Term Care	Swimming Lessons
Diapers	Maternity Clothes	Tanning Salons / Equipment
DNA Collection/Storage	Medicare Premiums	Teeth Whitening
Electrolysis/Hair Removal	Over-the-Counter Drugs	Veterinary Fees
Face Lifts	Personal Trainers	Weight-Loss Programs

## More Information

To find more information on HSAs and eligible expenses, check out some of the IRS Publications listed below.

- [IRS Publication 502](#) found at [www.irs.gov](http://www.irs.gov), provides information on eligible health care expenses.
- [IRS Publication 969](#) found at [www.irs.gov](http://www.irs.gov), provides detailed information on HSAs and how they work.