

HSA Q&A

EVERYTHING YOU NEED TO KNOW ABOUT HEALTH SAVINGS ACCOUNTS

1 WHAT TYPES OF EXPENSES CAN I USE HSA MONEY FOR?



The annual HSA contribution limit for 2021 is \$3,600 for individual / \$7,200 for family.

You may use HSA funds toward qualified health care expenses, as defined by Section 213(d) of the Internal Revenue Code, including:

- » Medical expenses including deductibles and coinsurance
- » Prescription drug costs
- » Retiree health expenses (once you are age 65)
- » Dental and vision expenses

2 WHAT IF I USE MY HSA TO PAY FOR SOMETHING ELSE?

If you are under age 65, this money will be subject to taxes and a 20% penalty when you file your taxes for that year. Unlike an FSA, the HSA vendor will not ask you for receipts. You must keep receipts with your annual tax records and present them to the IRS if you are ever audited.

3 WHO CAN USE AN HSA?

You—Contributions and withdrawals can be made only if you are enrolled in a High Deductible Health Plan (HDHP) and are not enrolled in any other plan such as Medicare, your spouse's medical plan or a general purpose FSA.

Your Legal Spouse—Qualified withdrawals can be made at any time.

Your Dependent—If you can claim on your tax return your domestic partner (see Question 4 regarding domestic partners and HSAs), dependent child, step child, or child of a domestic partner on your taxes, then for HSA purposes they are considered by the IRS to be an eligible tax dependent.¹ Out-of-pocket expenses for these dependents can be reimbursed with funds from your HSA. Although Health Care Reform requires health plans to cover adult children to age 26, this rule does not extend to HSAs. Therefore, if you cover a child under the HDHP who is not your tax dependent, this child cannot use the money in your HSA without incurring taxes and the tax penalty.

¹ A tax dependent as defined by IRS Section 152 is an individual for whom you provide more than half of the individual's support, the individual lives in the same residence for the entire tax year, and the relationship does not violate state law. You should check with your tax advisor to see if your dependent meets this definition.

4 CAN MY DOMESTIC PARTNER USE AN HSA?

If your domestic partner is your Section 152 tax dependent, you can be reimbursed for their eligible expenses.

If your domestic partner is not your Section 152 tax dependent and is enrolled in this plan or their own HDHP, they can open up their own HSA account, up to the contribution levels as described in this Q&A.

5 ARE HEALTH INSURANCE PREMIUMS A QUALIFIED EXPENSE?

Generally—No. This is because your medical plan contribution is already taken out of your paycheck on a pre-tax basis. Exceptions include: qualified long term care, COBRA, any plan you have while receiving unemployment; and if you are over age 65 any contributions you make to an employer-sponsored retiree medical plan, or premiums you pay for Medicare Part A, B, D or a Medicare Advantage plan (usually an HMO). Premiums for Medigap policies (Medicare Supplement plans) are not qualified expenses.

6 WHO MAY CONTRIBUTE TO AN HSA?

Most people contribute to the HSA via payroll deduction in order to take advantage of the pre-tax benefit; however, anyone may contribute to your HSA. You may also contribute to your HSA separate from your payroll deduction.

7 WHAT IF I DID NOT ELECT AN HSA AT OPEN ENROLLMENT?

You can open your HSA at anytime if you are enrolled in the HDHP. If you have questions about enrolling, visit your insurance carrier's web site or contact Human Resources. You can use payroll deduction, which allows you to take advantage of the pre-tax benefit.

8 CAN I CHANGE MY HSA CONTRIBUTION MIDYEAR?

You are free to start, stop or modify your contribution at any time; your employer's payroll system restricts the amount you can contribute to ensure you do not contribute more than is allowed by the IRS. You must alert your employer in writing that you wish to change your payroll deduction for future contributions.

9 HOW DO I ACCESS MY HSA FUNDS?



With the HSA plan, you will receive an HSA debit card which you can use at the doctor's office, hospital or pharmacy at no charge.

You can also pay providers from the website or submit a claim to reimburse yourself for eligible expenses if you paid cash, used a personal check, or a credit card.

10 HOW DOES THE IRS KNOW WHAT I CONTRIBUTE TO MY HSA?

Money taken out of your paycheck will appear in box 12 of your W-2 as code W and, per IRS regulations, it will appear as an employer contribution. You are required to complete an additional tax form due to having an HSA. If you make non-payroll contributions to your HSA, you can file to receive a tax credit for them. For more information about your HSA, tax filings and forms, contact the carrier.

11 WHAT HAPPENS IF I CONTRIBUTE MORE THAN IS ALLOWED?

You must withdraw any excess funds before your federal income tax form for that year is due (usually April 15). If you do not, you will pay your normal taxes plus an additional 6% penalty tax on any excess contribution.

12 WHAT ABOUT CATCH-UP CONTRIBUTIONS?

If you are not enrolled in any other plan such as Medicare, your spouse's plan or a general purpose FSA, and are age 55 or older at the end of the tax year, the annual HSA contribution limit increases by \$1,000. This only applies to you, the primary account holder; it does not apply to your spouse. You cannot contribute to an HSA, if you have any part of Medicare (Part A, Part B, etc.).

13 WHAT IF MONEY IS IN MY ACCOUNT AT THE END OF THE PLAN YEAR?



Any remaining balance will carry over to the next plan year.

HSA's do not feature a "Use It or Lose It" policy, unlike Flexible Spending Accounts,

14 WHAT HAPPENS TO MY HSA IF I DIE?

Upon death, ownership of the HSA is transferred to your beneficiary. If your beneficiary is anyone other than your spouse, the money becomes taxable.

15 WHEN CAN I TAKE MONEY OUT OF MY HSA?

You can withdraw money as soon as it is put into the HSA account, but not before.

16 HOW MUCH SHOULD I PUT INTO MY HSA?

You should think of your HSA as a savings account for medical expenses. Or as a 401(k) for medical expenses. Since this money is yours for use now and in the future, you should consider saving as much as you can afford. Having a good cushion in your HSA is very important when you need to pay the deductible and coinsurance.

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DOES MONEY IN MY HSA EARN INTEREST?



Initially, the HSA is a cash account. Once you have placed \$1,000 into the account, you will have the opportunity to move money into mutual fund investments.

Charges may apply, since this is a bank account. Review these charges carefully before moving your HSA money into a mutual fund account. If contributions are in a mutual fund they are not readily available through a debit card.

18 HOW DO I TRACK MY ACCOUNT ACTIVITY?

You may view your statement on the internet. A monthly paper statement is available upon request. There is a monthly fee for paper statements.

19 WHAT HAPPENS IF MY EMPLOYMENT AT THE COMPANY ENDS?

You may keep your HSA account with the current bank or move the money into a different bank using an HSA account. Also, you can withdraw the money and pay the applicable penalties.

20 WHAT HAPPENS IF I AM NO LONGER ENROLLED IN A HDHP?

You may no longer add money to your HSA; however, you may continue to save the money and use it for future medical expenses with no penalty.

21 WHERE DO I ACCESS HSA FORMS AND ASSISTANCE?

To get information about your HSA, visit your insurance carrier's web site or contact Human Resources.