

## Health Savings Accounts

A Health Savings Account (HSA) is a tax-exempt custodial account which you use to pay qualified medical expenses for you and your family.

### What are the benefits of a Health Savings Account?

- A high-deductible health plan generally costs less than traditional health coverage. Money saved on your insurance premium can be contributed to the HSA.
- You can claim a tax deduction for contributions you, or someone other than your employer, make to your HSA even if you do not itemize your deductions on Form 1040.
- Contributions to your HSA made by your employer (including contributions made through a cafeteria plan) may be excluded from your gross income.
- The contributions remain in your account until you use them.
- The interest or other earnings on the assets in the account are tax free.
- Distributions may be tax free if you pay qualified medical expenses.
- After age 65, HSA funds can be used for non-qualified expenses without penalty. Only income tax is assessed.
- An HSA is “portable.” It stays with you if you change employers or leave the work force.

### How do I become eligible for a Health Savings Account?

To be eligible, you must:

- Be covered under a high-deductible health plan (HDHP) on the first day of that month.
- Not be covered under another type of health plan that is not an HDHP (certain exceptions apply).
- Not be enrolled in Medicare; and
- Not be claimed as a dependent on another individual’s tax return.

### What is a High-Deductible Health Plan (HDHP)?

An HDHP:

- Has a higher annual deductible than typical health plans (\$1,350 for individual coverage or \$2,700 for family coverage in 2018; \$1,350 for individual coverage or \$2,700 for family coverage in 2019); and
- A maximum limit on the sum of the annual deductible and out-of-pocket medical expenses that you must pay for covered expenses (\$6,650 for individual coverage and \$13,300 for family coverage in 2018; \$6,750 for individual coverage and \$13,500 for family coverage in 2019). Out-of-pocket expenses include copayments and other amounts, but do not include premiums.

**Are contributions to an HSA limited?**

Yes. Total contributions (whether made by the employer, the employee, family members or any other person) cannot exceed \$3,450 for individual coverage or \$6,900 for family coverage in 2018 and \$3,500 for individual coverage or \$7,000 for family coverage in 2019. In addition, a “catch-up” contribution is available for eligible individuals who have attained the age 55 by the end of their taxable year but have not attained age 65 (\$1,000 for 2018 and 2019).

**What are qualified distributions?**

You are responsible to be sure you are paying qualified health care expenses from your Health Savings Account.

The best way for you to be sure if your expenses are qualified is to refer to IRS Publication 502 Medical and Dental Expenses. To order, call 1-800-TAX-FORM (1-800-829-3676) or go to [www.irs.gov](http://www.irs.gov).

**What happens to the money in the account once I am no longer eligible to contribute?**

You can keep the money in the account and continue to use it to pay qualified medical expenses for you and your family.

**Can I open an HSA if I am self-employed?**

Yes, after meeting the HDHP and the other eligibility requirements listed above. Contributions to the limits listed above can be made by you, family members or any other person.

**Where can I get more information?**

To get more information on Health Savings Accounts, you could contact your insurance agent, your tax advisor or go to [www.irs.gov](http://www.irs.gov).

Be sure to consult with your tax or legal professional for guidance.