



## COMMONLY ASKED QUESTIONS AND ANSWERS ABOUT PARTICIPATION IN A HEALTH SAVINGS ACCOUNT

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

A Health Savings Account (HSA) is a tax-advantaged medical savings account that is available to taxpayers in the United States who are enrolled in a High Deductible Health Plan (HDHP). What's so unique about an HSA is that it is an investment vehicle that offers participants a triple-dip tax advantage: funds deposited in the account are exempt from federal (and often state) taxation, any interest earned on the account is free of taxation and distributions (when used for qualified medical expenses) are not taxable. HSAs are individually owned bank accounts that are similar to retirement plans. As an account holder you have direct control over where your dollars are invested.

### Who is eligible to fund an HSA?

*To fund an HSA you:*

- Must be covered under a qualified High-Deductible Health Plan (HDHP).
- Cannot be covered by another health plan, unless that plan is another HDHP or one that provides specific coverage such as dental or vision.
- Must NOT be enrolled in Medicare benefits.
- Cannot be claimed as a dependent on another person's tax return.
- Are not enrolled in TRICARE or TRICARE for Life, a military benefits program.
- Have not received Veterans Administration (VA) benefits within the past three months (some exceptions apply).

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

In order to open and contribute funds into an HSA you must be enrolled in a HDHP. The term High Deductible Health Plan (HDHP) is a legal name for a health plan that pays for Covered Services only after a minimum deductible has been met. You must be enrolled in an HSA-qualified "high deductible health plan" (HDHP) to open and/or contribute to an HSA. The annual minimum deductible and out-of-pocket maximum amounts are set at the Federal level each year. In 2017 the Federal law requires that the plan deductibles be at least:

- \$1,300 - For Self-only coverage
- \$2,600 - For Family coverage

Annual out-of-pocket expenses under the plan (including deductibles, co-pays, and co-insurance) in 2017 cannot exceed:

- \$6,550 - For Self-only coverage
- \$13,100 - For Family coverage

### What expenses can be reimbursed?

Unreimbursed medical expenses as described in IRS Code Section 213(d). The 213(d) list includes things such as: deductibles, copayments, coinsurance, vision and dental expenses, some medical premiums, etc. The funds in your HSA can be used to pay for qualified medical expenses for you, your spouse and/or your dependents.

### Is there a limit to how much I can contribute to my HSA?

Yes. For 2017, the Federal law limits contribution amounts to:

- \$3,400 - For Self-only coverage
- \$6,750 - For Family coverage





There is a catch-up contribution provision for anyone who is 55 years or older. In 2017 this group can contribute (at any time during the plan year):

- \$4,400 - For Self-only coverage
- \$7,750 - For Family coverage

### **Who can make deposits into the HSA?**

Deposits to an HSA can come from: you (the HDHP policyholder), your employer, and/or they can come from any other person. (Note: All contributions combined may not exceed the annual federal maximum amounts.)

### **What are the federal tax consequences of contributions to my account?**

Your employer's contributions are excludable from your gross income, and not taxable to you. If your employer allows you to make pre-tax contributions, the amount you contribute is not taxable to you. So, you are not subject to income, FICA or FUTA taxes. If you make an after-tax contribution, or if anyone other than your employer contributes to your HSA, you can deduct this contribution on your federal income tax return. Keep in mind that you can contribute up to the maximum allowed for the year at any time up until the tax-filing deadline (generally April 15) of the following year.

### **When are HSA funds available for use?**

All HSA contributions belong to you immediately and are typically available 2-3 business days after the initiation of the deposit. The nice thing about an HSA is you can use funds as you choose. You can use the money to pay for out-of-pocket expenses as they occur or you can let your money accumulate/grow over time.

### **What happens if I don't spend all the funds in my HSA by the end of the year?**

You own your HSA and any unused funds that remain at the end of the year will remain in your account.

### **How long do I have to submit claims?**

Any medical expenses that occur after you have opened and funded your HSA are eligible for reimbursement. This includes expenses for you, your spouse and any eligible dependents. You do not file claims to receive reimbursement for expenses, as further explained below.

### **Do I have to submit receipts before I can receive a reimbursement?**

No, you are not required to produce any documentation before you make a withdrawal from your HSA. But it is your responsibility to ensure you have receipts to support any distributions. If you have a distribution in a year you will receive a Form 1099 which needs to be included with your federal and state tax filing. If your tax return is audited you may be required to produce receipts for any distributions. For this reason we highly recommend that you keep all eligible medical receipts.

### **Can my HSA funds be used to reimburse for non-qualified medical expenses?**

Yes, but distributions that are used to pay for non-qualified medical expenses are included in your gross income and the amount is subject to an additional 20% tax. The additional 20% does not apply however if the distribution is made after your death, disability, or reaching age 65.

### **Does my account earn interest or other earnings, and if so, is the amount taxable?**

Yes, you can earn interest on your HSA, depending on the investment alternatives available to you and the investments you select. The earnings on your HSA are generally not taxable to you while in your account or when you withdraw them to pay for qualified medical expenses.





## What are my investment options?

Investment options are specific to your employer. To view your options, access your personalized HSA information through [www.simon365.com](http://www.simon365.com). Please note, to elect a fund other than the HealthcareBank Interest Bearing Account you are required to have a balance of \$2,000 or more in your HSA.

## How can I check the balance of my HSA and make/change fund elections?

You can access your HSA information by going directly to [www.simon365.com](http://www.simon365.com), or by going to [www.wcif.net](http://www.wcif.net) and using the SIMON link. Once you have logged into your personalized account you can also view current account information, investment allocations; personal performance; fund information; investment transaction history; change investment elections; request fund to fund transfers; realign your investment portfolio; view the fund prospectuses; and generate personal statements.

## How do I access my funds?

You have a number of options. First, you'll receive a Visa debit card that can be used anywhere Visa is accepted, such as your doctor's office or at the pharmacy. Second, you can go to your HSA online account and request that a payment be sent to either you or your provider. To request a disbursement online, log in and click on the [Accounts](#) tab, then choose [Request HSA Distribution](#).

## How do I change my investment elections?

To change your investment elections for future contributions to your investment account, click on the link called Investment Elections under Manage My Account on the investment portal. Please note any changes you make will affect your investment elections for future contributions, but will not change how the current balance in your HSA is invested.

## How do I transfer funds from one investment to the other?

To make changes to existing investment balances, you can use the Realign Investments or Transfer Investments link.

[Realign Investments](#) affects your entire account balance. A realignment initiates the sale of your existing investments and reinvests the proceeds according to your new investment instructions. Trades initiated before the market closes (1:30 p.m. Central Time) will be processed the same business day. Trades initiated after the market closes are processed at the close of the next business day.

[Transfer Investments](#) initiates a sale of one or more funds and a purchase into another fund or funds. Trades initiated before the market closes (1:30 p.m. Central Time) will be processed the same business day. Trades initiated after the market closes are processed at the close of the next business day.

Note: Transferring investments will not change your investment elections for future contributions to your investment account. See the previous question and answer for steps to change elections for future contributions.

## Are HSA Statements available online?

Your HSA Account Summary report can be found by clicking on the [Notifications](#) tab and choosing [HSA Account Summary Reports](#). An HSA Investment Account summary can be found on the Investment Portal by choosing [Fund Activity Summary](#).

## When will I receive my Debit Card?

Approximately 2 weeks after you have established your HSA.

## Can I use my debit cards to obtain cash?

No.





## Where do I call if my debit card is lost or stolen?

You would contact Benefit Solutions, Inc at Local Phone: 206-859-2694 or Toll-Free Phone: 866-759-2664

## Can funds be rolled over from one account to another?

Yes. You can make a one-time distribution from your traditional IRA or Roth IRA to your HSA. You must direct your IRA trustee to make the distribution directly into your HSA. The amount cannot exceed how much you are eligible to contribute to an HSA for the tax year. The distribution from the IRA is not included in your income, is not deductible and reduces the amount that can be contributed to your HSA.

You can roll over amounts from Archer Medical Savings Accounts (MSAs) and other HSAs into an HSA. You must roll over the amount within 60 days after the date of receipt. You can make only one rollover contribution to an HSA during a one-year period. Rollovers are not subject to the annual contribution limits.

You can also direct an HSA administrator to transfer funds directly into another HSA. Such a transfer is not considered a rollover, and there is no limit on the number of such transfers. You do not include the amount transferred in your income for tax purposes, deduct it as a contribution or include it as a distribution from the account.

## Can I change my contribution amount during the plan year?

Yes.

## What happens if I no longer participate in a qualified HDHP?

A job change or other life events may lead you to end your coverage in an HSA-eligible health plan at some time during a normal 12-month benefits period. In that case, you would need to calculate a pro-rated contribution amount based on your actual months of high-deductible plan coverage. If your contributions exceed that amount, you can apply to your HSA administrator to have excess contributions returned to you. You can find the form under the Forms tab.

For example,

- Your employer's plan year is January 1<sup>st</sup> - December 31<sup>st</sup> (12 months).
- You're enrolled in a family HDHP health plan for only seven months (January 1<sup>st</sup> - July 31<sup>st</sup>)
- The IRS maximum family contribution limit for the year is \$6,750.
- Your maximum contribution would be \$3,820.81. ( $\$6,750/12 = \$562.50$  (maximum monthly contribution);  $\$562.50 \times 7 = \$3,937.50$ ).

Note: If you are 55 or older, catch-up contributions must also be prorated using the same formula.

You can continue to spend any funds in your HSA to pay for qualified medical expenses but you can no longer make contributions into your HSA.

## If I leave my job do I have the right to continue coverage under COBRA?

No, COBRA does not apply to HSA's. However, your HSA and the money in it is yours, not your employers, and you can continue to use your HSA dollars to pay for qualified medical expenses that you and your family incur ever after you leave your job.

## What happens to my account once I turn 65 or become disabled?

After you turn 65 or become entitled to Medicare benefits, you may withdraw money from your HSA for non-medical purposes without penalty. The withdrawal is treated as retirement income and is subject to normal income tax. The same holds true if you become disabled before age 65; you are not liable for the 20% penalty and the withdrawals are treated as income.



## Can I make contributions if I am enrolled in Medicare?

No. Contributions to the account must stop once you are enrolled in Medicare. However, you can keep the money already in your account and use it pay for medical expenses tax-free.

## What happens if I contribute too much to my HSA?

If your contributions exceed the limit that applies to you in a year, the amount that exceeds the limit is an excess contribution. If your contributions are after-tax contributions, you cannot deduct the excess portion on your individual income tax return for the year. Excess contributions are subject to an excise tax of 6 percent for each tax year during which they remain in your HSA. You can avoid the excise tax for a given year by withdrawing the excess contribution and the related interest earnings from the HSA before your income tax return for the year is due (including extensions).

The IRS imposes a penalty on excess contributions, but allows, under certain circumstances, for corrective distributions to be made. Additionally, you would be required to pay tax on the interest earned on those excess funds.

## What if my spouse has an HDHP?

If you are married and both you and your spouse: are covered by an HDHP (whether one HDHP or two separate HDHPs) and are Eligible Individuals, and wish to open an HSA, you must each open a separate HSA, since joint ownership of an HSA is not permitted. If only one of you is an eligible individual, only the Eligible Individual may open and contribute to an HSA.

Contribution limits for married individuals are as follows:

- The two of you have family coverage under one HDHP and are both Eligible Individuals; you are each treated as having family coverage. The contribution limit for each of you is one-half of the family maximum annual contribution, unless you agree on a different division. Your combined annual contribution should not be more than \$6,750 in 2017. (For anyone over the age of 55 the maximum contribution would be \$7,750.)
- If each of you have Self-only HDHPs you are each limited to the annual maximum contribution amount which is \$3,400 in 2017. (For anyone over the age of 55 the maximum contribution would be \$4,400.)

Keep in mind that whether you and your spouse have one or two HSAs, the funds in each HSA can be used to pay for qualified medical expenses for you, your spouse and/or your dependents.

## Can a Flexible Spending Account (FSA) be offered alongside an HSA?

Yes. But the FSA can be for limited use only and this includes dental and vision expenses. Your employer may or may not offer this benefit.

## What if I become eligible for an HSA during the middle of a plan year?

Typically, if you become an eligible individual during any month within a calendar year, you will be treated as having been an eligible for the entire year. For example, on September 1 you enroll in a qualified HDHP and you are eligible to fund an HSA. For that year you can make the full family contribution of \$6,750. If your new HSA-compatible coverage begins in July of that year you are also eligible to contribute the maximum amount. One stipulation is that you maintain coverage until December 31st of the following year. If you do not maintain coverage, taxes and penalties may apply.

## What happens if I have a change in status (e.g., single coverage to family, or family to single) during the plan year?

If, for example, you begin the year with family coverage and switch to single coverage in July of that year, you are eligible to contribute half of the family coverage contribution maximum and half of the individual coverage contribution maximum.

If your coverage level changed from single coverage to family coverage on May 1. Your maximum contribution amount would be:

- $\$3,400$  (maximum contribution for self only coverage)  $\times$   $4/12$  (4 months of being enrolled in single coverage) =  $\$1,133$
- $\$6,750$  (maximum contribution for family coverage)  $\times$   $8/12$  (8 months of being enrolled in fam. Coverage) =  $\$4,500$
- $\$1,133 + \$4,500 = \$5,633$





## What tax forms are associated with an HSA?

For tax purposes, there are three important forms.

### IRS Form 1099-SA

This form provides you with the total distributions that were made from your HSA. You will receive a separate 1099-SA for each type of distribution you had in a tax year. The five types of distributions are: normal, excess contribution removal, death, disability and prohibited transaction. If you did not have a distribution during a tax year, you will not receive a 1099.

### IRS Form 5498-SA

This form provides you with the contributions that you made to your HSA in a tax year. Since account holders have the right to make contributions to their HSA for a tax year until April 15 of the following year, this form is sent out in May.

### IRS Form 8889

This is the HSA contribution form for you to complete and attached to your IRS 1040 Form.

## In the event of my death, what happens to my HSA funds?

If you are married, and you have designated your spouse as the beneficiary your spouse becomes the owner of the account and can use it as if it were their own HSA. If your primary beneficiary is anyone other than your legal spouse, the account will no longer be treated as an HSA upon your death. The account will pass to your beneficiary or become part of your estate and it will be subject to any applicable taxes.

## Can I take a reimbursement of Medical expenses and also deduct the same expenses on my income tax return?

No.

## Where can I find HSA forms and resources?

Forms, such as those pertaining to HSA direct deposit and enrollment, can be found under the [Forms](#) tab of the online portal. Additional resources, such as HSA calculators and other helpful resources, are located under the [Links](#) tab.

*Please Note: These questions and answers represent a brief summary of Health Savings Account programs and should not be construed as legal or tax advice. If any statement in this document conflicts with the provisions of your formal plan document, the formal plan document will be considered to be correct.*

### Contact Information

Benefit Solutions, Inc. (BSI)

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