

Employee Benefits Series



Health Savings Account (HSA)

KEY FEATURES FOR 2015



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Overview

Account Description	Tax-exempt trust or custodial account established by an eligible individual to pay for qualified medical expenses
Important Reminders for 2015	New limits on contributions and changes to requirements for HDHP coverage
Potential Tax Benefits for Employees	<ul style="list-style-type: none"> • Employee contributions are either tax-deductible or pre-tax (if made by salary reduction) • Employer contributions are excluded from gross income and are generally not subject to employment taxes • Earnings on amounts in an HSA are not includable in gross income while held in the HSA • Tax-free distributions to pay qualified medical expenses

Employee Eligibility

Who May Participate	<p>An individual is eligible to establish an HSA if he or she:</p> <ul style="list-style-type: none"> • Is covered under a high deductible health plan (HDHP) • Is not covered by any other health plan that is not an HDHP (including coverage in a general purpose health FSA solely as a result of unused carryover amounts from the prior year), except for certain limited types of coverage • Is not enrolled in Medicare • May not be claimed as a dependent on another person's income tax return <p><i>Note: Guidance regarding the participation by same-sex spouses in HSAs is now available.</i></p>
HDHP (High Deductible Health Plan) Coverage Required	<p>Yes. For 2015, the minimum annual deductible is \$1,300 for self-only coverage or \$2,600 for family coverage. The maximum deductible and other out-of-pocket expenses is \$6,450 for self-only coverage or \$12,900 for family coverage.</p> <p>Note: A health plan that provides certain preventive health services without a deductible, as required under Health Care Reform, may still qualify as an HDHP.</p>

Contributions

Who May Contribute	The employee, the employer, or both may contribute (family members or any other person may also contribute)
Pre-Tax Employee Contribution Allowed	Yes , contributions can be made through employee salary reductions under a cafeteria plan
Limit on Contributions	Yes . For 2015, the maximum contribution is \$3,350 for self-only coverage or \$6,650 for family coverage. The limit is increased by \$1,000 for eligible individuals age 55 or older at the end of the tax year.
Employer Participation	<p>If the employer contributes, it must make comparable contributions to all comparable participating employees' HSAs.</p> <p>The comparability rules do not apply to HSA contributions made through a cafeteria plan. However, the employer must comply with the Section 125 non-discrimination requirements.</p>

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Distributions	
Distributions Allowed	<p>Distributions used exclusively to pay for <u>qualified medical expenses</u> of the employee and his or her spouse and dependents are <u>tax-free</u>.</p> <p>Any amount of the distribution not used exclusively to pay for qualified medical expenses is included in the employee's gross income and may be <u>subject to an additional 20% tax</u>.</p> <p>Note: Employees who cover <u>dependents to age 26</u> under a HDHP may not use HSA funds for reimbursement on a tax-free basis for an adult child's medical expenses, unless the adult child qualifies as a tax dependent of the employee.</p>
Timing of Distributions	<p>An eligible employee may receive distributions from an HSA at <u>any time for qualified medical expenses</u> not reimbursed by the HDHP; however, expenses incurred before an HSA is established are not qualified medical expenses.</p>
Qualified Medical Expenses	<p>Generally, qualified medical expenses are those expenses paid for "medical care" as defined in IRC <u>Section 213(d)</u>.</p> <p>Health insurance premiums are generally not considered qualified medical expenses for HSA purposes, <u>unless the premiums are for:</u></p> <ul style="list-style-type: none">• Qualified long-term care insurance (premiums are subject to limits based on age and are adjusted annually)• Health care continuation coverage required by federal law (e.g., COBRA)• Health care coverage while an individual is receiving unemployment• Medicare and other health care coverage if the employee is 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)
Other Issues	
Balance and Carryover	<p>Amounts remaining in an HSA at the end of the year are <u>generally carried over</u> to the next year.</p>
Account Subject to COBRA	<p>No</p>
Portability	<p>Yes, the employee is the owner of the account</p>

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