HEALTH SAVINGS ACCOUNT (HSA)

HSA General Information

- ***What is a Health Savings Account (HSA)?***

  A Health Savings Account is a special purpose account used in conjunction with a High Deductible Health Plan. HSAs offer you a different way to pay for health care. They enable you to pay for current health expenses and save for future qualified medical expenses, including retiree health expenses, on a tax free basis.

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

  You must be covered by an HDHP in order to own a Health Savings Account. An HDHP is a health insurance plan with a higher annual deductible than a traditional PPO plan. An HDHP pays first dollar coverage (no deductible) for in-network preventive care expenses.

- ***What is the advantage of a Health Savings Account (HSA)?***

  An HSA is a tax favored account. Money deposited into the account is tax free, earnings are tax free and withdrawals for qualified medical expenses are tax free.

- ***What is a qualified medical expense?***

  Qualified medical expenses are those that generally qualify for the IRS medical and dental expenses deduction. They are explained in IRS Publication 502.

- ***Can I have both an FSA and an HSA?***

  You can have an HSA and a "limited purpose" FSA, limited to dental and vision expenses. The limited purpose FSA follows all of the FSA rules – i.e., use it or lose it and the maximum contribution of $2,500.

HSA Eligibility

- ***Who is eligible for an HSA?***

  To be an eligible individual and qualify for an HSA, the IRS has indicated you must meet the following requirements:

  - You must be covered under a high deductible health plan (HDHP).
  - You must have no other health coverage. You can still be eligible for an HSA even if your spouse has non-HDHP coverage provided you are not covered by that plan.
  - You are not enrolled in Medicare.
  - You cannot be claimed as a dependent on someone else's 2014 tax return.

- ***Is my same-sex domestic partner eligible as a dependent under the Health Savings Account?***

  The IRS allows you to use your HSA account for qualified dependents. If you and your same-sex partner were married in a state that recognizes same-sex marriages, your spouse is an eligible Federal tax dependent.

- ***Can someone on Medicare have an HSA?***

  You are not eligible for an HSA after you have enrolled in Medicare. If you had an HSA before you enrolled in Medicare, you can keep it. However, you cannot continue to make contributions to an HSA after you enroll in Medicare.

Establishing and Contributing to Your HSA

- ***How do I establish a Health Savings Account?***

  FVTC's HSA administrator is BMO Harris. To establish your HSA you will need to complete a BMO Health Savings Account application (available in Human Resources) and return your completed form to Human Resources no later than Friday, November 14, 2014.

- ***Who can make contribution to a Health Savings Account and how are they made?***

  An employee, an employer or both may contribute to an HSA. Employee contributions can be made through payroll deductions on a pre-tax basis. You can also make a deposit to your HSA account at a local BMO Harris Bank with after-tax dollars. If you contribute to your Health Savings Account on an after-tax basis, you can claim a deduction for your contributions when you file your taxes.

- ***What is the maximum amount that can be contributed to an HSA?***

  For 2015, the maximum contribution amounts (employer and employee) are as follows:

  - Employee-only coverage: $3,350
  - Employee + one or two or more: $6,650
  - If you are age 55 or older at the end of the tax year, you contribution limit is increased by $1,000

- ***What if the total contributions exceed the allowable limit?***

  If the total of the contributions from you and your employer exceeds the allowable contribution limit for the year, you will be subject to a 6% excess contribution tax if not removed prior to your tax filing due date. It is your responsibility to remove the excess contributions and any related earnings prior to filing your federal income taxes.

- ***Can I change the amount I contribute to my HSA at any time?***

  Yes, you can decrease or increase the amount you contribute to your HSA at any time during the year, as long as you do not exceed the IRS maximum amount. The form to make a change is available on the Human Resources Intranet page in the Benefit Information section.

- ***Can I contribute to an HSA if I am covered by another health plan that is not a qualified HDHP?***

  No, the IRS states you must have no other health coverage. You can still be eligible for an HSA even if your spouse has non-HDHP coverage provided you are not covered by that plan.

- ***If my HDHP is established in the middle of the year, are there any circumstances in which I may still make the full years' worth of contributions to my HSA?***

  Generally, you make a contribution to an HSA for a month only if you were a participant in an HDHP on the first day of that month. However, if you become HSA eligible during the middle of a tax year and remain HSA eligible until the last month of the tax year, then you may make HSA contributions for all previous months in the tax year up to the maximum contribution amount.

Using Your HSA

- ***How do I withdraw funds from my HSA?***

  You can withdraw funds from your HSA by using your BMO Harris Bank HSA debit card, at a BMO Harris branch, by paying bills with BMO Harris Bill Pay, through BMO Harris Online banking, or if you order HSA checks from BMO Harris, you can use your HSA checks.

- ***How do I obtain an HSA card for my spouse or dependent, age 18 or older?***

  Contact a BMO Harris Banker at 1-866-472-4632 or visit any BMO Harris branch for details.

- ***What happens if the money in my HSA is not used to pay for medical expenses?***

  If the money is used for other than qualified medical expenses, the expenditure will be taxed and subject to a 20% tax penalty.

- ***What happens to the money in the account at the end of the year?***

  The money in your account at the end of the year remains in your HSA and rolls over to the next year.

Health Savings Account (HSA)

- ***Can the money in my HSA be used to pay for medical care for a family member?***

  Yes, you may withdraw funds to pay for qualified medical expenses of yourself, your spouse or a dependent without tax penalty.

- ***What happens to the money in my HSA if I lose my HDHP coverage?***

  You may continue to use HSA funds for qualified medical expenses. You are no longer eligible to contribute to an HSA for any months you are not covered by an HDHP.

- ***What happens to the money should I die?***

  If your spouse is designated as the beneficiary of the account, upon death, the HSA becomes the HSA of your spouse. The surviving spouse is subject to income tax only if the distributions from the HSA are not used for qualified medical expenses. If your beneficiary is not your spouse, your HSA account balance generally will be treated as ordinary income to the recipient in the year of your death.

- ***What happens to the money after I turn age 65?***

  You can continue to use your account tax-free for qualified out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. If you qualify for retiree health care benefits, you can also use your account to pay for your share of the retiree health insurance premiums. An expense you cannot use your account for is to purchase a Medicare supplemental insurance or “Medigap” policy. Once you turn 65, you can also use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties. Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 20% penalty on the amount withdrawn.

- ***Who will be the “bookkeeper” for my HSA?***

  It is your responsibility to keep track of your deposits and expenditures and keep all of your receipts.