

Your Health Savings Account with Sandy Spring Bank



About Health Savings Accounts

To help better manage your health care costs, your employer has chosen a Health Savings Account designed to save you money and make it easier to pay for your medical bills.

What is a Health Savings Account?

A Health Savings Account (HSA) is a tax-advantaged savings plan, owned by an individual. Contributions to the HSA made through a Cafeteria Plan are made by the individual on a pre-tax basis, and may be used to pay for current and future medical expenses. There are no restrictions on who may contribute to your HSA. Therefore, you, your employer, or any other person can make an HSA contribution on your behalf.

Eligibility Requirements

To be eligible for an HSA you must participate in a qualified high deductible health plan (HDHP) offered by your employer. An HDHP is a health plan with a:

- Deductible of at least
 - \$1,600 for 2024 (\$1,500 for 2023) for an individual or \$3,200 for 2024 (\$3,000 for 2023) for a family.
- Maximum out of pocket expenses
 - \$8,050 for 2024 (\$7,500 for 2023) for an individual and \$16,100 for 2024 (\$15,000 for 2023) for a family.
- Eligibility is determined on a month-to-month basis.

Limitations

- You must be enrolled in a qualified HDHP to participate in an HSA. You cannot have other health insurance, with the following exceptions: worker's compensation, insurance for a specific disease, insurance that pays a fixed amount per day of hospitalization, dental, vision, long-term care, accident and disability insurance.
- You cannot be enrolled in Medicare Part A or Part B.
- You cannot be a dependent on another person's tax return.

A Health Savings Account provides:

- Convenience and ease of use.
- Control over your health care dollar.
- The ability to pay for current and future health care expenses with tax-free dollars.
- A means to save for the future.



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Health Savings Accounts

Features



More Control Over Your Health Care Dollar

- More flexibility than other tax-advantaged accounts, such as medical savings accounts (MSAs), flexible spending accounts (FSAs) and health reimbursement accounts (HRAs).
- You manage your health care dollars and decide:
 - How much money you want to contribute to your HSA each year, up to plan limits.
 - Which health care expenses to pay from your HSA.
 - How much of your HSA funds will be used for health care expenses and how much will be saved for the future.

Tax Savings

- Contributions, earnings and eligible withdrawals from your HSA are tax-free.
- Money you contribute to your HSA is deductible from your federal tax return, even if you do not itemize deductions.
- Money you contribute to your HSA through a Cafeteria Plan is contributed on a pre-tax basis.
- Employer contributions to your HSA, if any, are also tax exempt from federal income tax.

- Withdrawals from your HSA used to pay for qualified health care expenses are not taxed - you must keep supporting receipts for the Internal Revenue Service.
- Your unused HSA balance is not forfeited - it grows year after year.
- Unused contributions and gains continue to grow tax-free.

Convenience

- The money in your HSA may be used to pay for a variety of health care expenses, such as:
 - Doctor visits
 - Prescription drugs
 - Dental care
 - Vision care
- Your money is easily accessible with your HSA Debit Mastercard® or by using your special HSA checks.
- Account information is available on line 24 hours a day.
- Designate an authorized signer to transact and inquire on your HSA.
- Free second debit card for use by your authorized signer.



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Greater Control



Qualified Health Care Expenses

The money you contribute to your HSA can be used to pay for qualified health care expenses for yourself, your spouse or dependent children, even if your spouse and children are not covered by the same high deductible health plan. Qualified health care expenses include co-payments and fees for doctor visits, prescription drugs, medical labs, dentists, orthodontists, chiropractors, medical supplies, hospitals, vision centers, and much more. HSA funds can be used to pay for eyeglasses and contact lenses, online and mail order prescriptions. Your HSA can also be used for paying “balance due” portions of bills from health care providers. See IRS Publications 969 and 502 for details.

The Money in Your HSA is Your Money

Portability - If you leave your present employer for any reason, your HSA goes with you. You can continue to make contributions to your account as long as you are enrolled in a high deductible health plan. You can also continue to withdraw funds, tax-free, to pay for qualified medical expenses.

Retirement Savings - At age 65, HSA funds may be withdrawn, tax-free, to pay for certain insurance premiums (excluding Medigap policy premiums). Distributions for non-medical expenses will be treated as gross income without incurring tax penalties. Funds withdrawn before age 65 for non-qualified expenses may be subject to regular income taxes plus a penalty.

Transitioning - If, at the time of your death, the beneficiary of your HSA is your spouse, ownership of your account may be assumed by your spouse in a tax-free transfer. As a new owner of the account, your spouse will have the option to retain the account as an HSA.



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Health Savings Accounts Plan Comparison



| | 401(k) | Individual Retirement Account | Medical Flexible Spending Account | Health Savings Account |
|---|--------|-------------------------------|---|--|
| Can my contributions be deducted directly from my payroll check? | Yes | Yes | Yes | Yes |
| Is the contribution exempt from Federal Income Tax at the time of contribution? | Yes | Yes | Yes | Yes, if made through your employer's Cafeteria Plan |
| Is the contribution exempt from State Income Tax at the time of contribution? | Yes | Yes | Yes, in most cases | Yes, if made through your employer's Cafeteria Plan |
| Is the contribution exempt from FICA Tax at the time of contribution? | No | No | Yes | Yes, if made through your employer's Cafeteria Plan |
| Is the contribution exempt from Medicare Tax at the time of contribution? | No | No | Yes | Yes, if made through your employer's Cafeteria Plan |
| Are the funds exempt from Federal Income Tax at the time of withdrawal? | No | No | Yes | Yes, if used for medical expenses |
| Are the funds exempt from State Income Tax at the time of withdrawal? | No | No | Yes | Yes, if used for medical expenses |
| Are the funds exempt from FICA Tax at the time of withdrawal? | Yes | Yes | Yes | Yes, if used for medical expenses |
| Are the funds exempt from Medicare Tax at the time of withdrawal? | Yes | Yes | Yes | Yes, if used for medical expenses |
| Are earnings tax free at the time of withdrawal? | No | No | N/A | Yes, if used for medical expenses |
| Can I use my account to pay for medical expenses incurred in future years? | N/A | N/A | No - use it or lose it if not spent within the same plan year | Yes, you can save medical receipts and reimburse yourself at any time during your lifetime |
| Is my account portable? | Yes | Yes | No | Yes |



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Health Savings Accounts

Frequently Asked Questions



Q. What is a Health Savings Account (HSA)?

A. An HSA is a tax-advantaged account owned by an individual. Contributions to the account may be used to pay for current and future medical expenses. Funds that are not used for medical expenses remain in the account from year to year. There are no “use it or lose it” rules for HSAs.

Q. How do I qualify to open an HSA?

A. You must have insurance coverage under a qualified High Deductible Health Plan (HDHP) to open and contribute to an HSA. The HDHP deductible must be at least \$1,600 for 2024 (\$1,500 for 2023) for an individual or \$3,200 for 2024 (\$3,000 for 2023) for a family. In addition, annual out-of-pocket expenses under the plan (including deductibles, co-pays, and co-insurance) cannot exceed \$8,050 for 2024 (\$7,500 for 2023) for an individual and \$16,100 for 2024 (\$15,000 for 2023) for a family. These amounts are adjusted annually for inflation. You may not be covered by any health plan that is not an HDHP, may not be enrolled in Medicare Part A or Part B, and may not be claimed as a dependent on another person’s tax return.

Q. When can I contribute to my HSA?

A. Your eligibility to contribute to an HSA is determined by the effective date of your HDHP coverage. Both the HSA contribution and catch up contribution apply pro rata based on the number of months of the year you are an eligible individual. If you have HDHP coverage as of December 1, you are allowed the full, non-pro rated contribution for the year. However, if you cease to

remain an eligible individual 12 months following the last month of the year of the first year of eligibility, the extra amount contributed is included in income and subject to an additional 10 percent tax. Contributions can be made as late as April 15 of the following year.

Q. How much can I contribute to my HSA?

A. You can contribute up to \$4,150 for 2024 (\$3,850 for 2023) for self-only coverage and \$8,300 for 2024 (\$7,750 for 2023) for family coverage. These amounts are adjusted annually for inflation.

Individuals age 55 and older, and not enrolled in Medicare, can also make additional “catch-up” contributions. The maximum annual catch-up contribution is \$1,000.

Q. Who can contribute to my HSA?

A. There are no restrictions on who may make a contribution to your HSA. Therefore, you, your employer, or any other person can make an HSA contribution on your behalf.

Q. What is the tax treatment of an HSA contribution?

A. Contributions, other than employer contributions, are deductible on an eligible individual’s return whether or not the individual itemizes deductions. Employer contributions aren’t included in income. Please consult your own legal, accounting, or tax professional regarding your specific situation.



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Health Savings Accounts

Frequently Asked Questions



Q. What can I use the money in my HSA for?

A. You can use the money in the account to pay for any “qualified medical expense” permitted under federal tax law. (See Publication 969 and 502 at www.irs.gov for details.) This includes most medical care and services, and dental and vision care. Money in the account can be used to pay qualified medical expenses for yourself, your spouse, or your dependent children. In general, you cannot use the money to pay for medical insurance premiums.

Q. Can family members use my account?

A. Yes. You can designate an authorized signer for your HSA. The authorized signer is able to make deposits, write checks, get his/her own debit card, and inquire on the account.

Q. What if I withdraw money from my HSA and don't use it to pay a qualified medical expense?

A. Any amounts used for purposes other than to pay for qualified medical expenses are taxable as income and may be subject to a tax penalty. After you turn age 65, or if you become disabled, the 20% additional tax penalty no longer applies.

Q. Are contributions and distributions on my HSA reported to the IRS?

A. Yes. The Bank will report all distributions on Form 1099-SA and contributions and year-end account value on Form 5498-SA. Account holders must file Form 8889 with their tax return to report the amount of distributions used for qualified medical expenses. Be sure to keep your receipts and records to prove the expenses were incurred and were not paid for or reimbursed by another source or taken as an itemized deduction.



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Simple HSA



The Simple HSA was designed with convenience and simplicity in mind to ensure your HSA is easy and inexpensive to manage. It offers all the features you need to conveniently pay eligible medical expenses and easily manage your account, while paying interest on your balance. Use your HSA Debit MasterCard® to make purchases, and access your account online 24/7 to keep track of transactions. With monthly direct deposit, there is no monthly maintenance fee. Plus you have access to over 55,000 ATM's to reimburse yourself for qualified medical expenses with no surcharges.

| Features | |
|---|--|
| Free HSA Debit Mastercard® | Yes |
| Free Online Access | Yes |
| Free Telephone Banking | Yes |
| Free Electronic Statements (includes check images) | Yes |
| Unlimited Check Writing | Yes |
| Interest Paid on Checking Balance | Yes |
| Direct Deposit of Contributions | Yes |
| Open Accounts as part of your benefits enrollment process | Yes |
| Access to over 55,000 surcharge free ATMs | Yes |
| Account Fees | |
| Account Set-Up | \$18 |
| Monthly Maintenance Fee | \$5, waived any monthly statement cycle you receive ACH Direct Deposit or maintain a \$300 minimum daily balance |
| Paper Statement | No charge for paper statements with check safe-keeping, \$2.00 for including check images |
| HSA Wallet Style Checks | \$24.95 |
| HSA Duplicate Style Checks (50 checks) | \$27.05 |
| Account Closure | \$35.00 |



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Getting Started



To qualify for an HSA, you must first enroll in a qualified high deductible health plan (HDHP). In exchange for a higher deductible, these plans usually offer insurance premiums that are much lower when compared to a traditional plan.

To participate in an HSA, you will need to:

- Enroll in a qualified high deductible health plan (HDHP)
- Elect the amount of money you want to contribute for the year
- Carefully review the information from Sandy Spring Bank, then complete and return the required enrollment forms contained in this kit
- Begin funding your HSA through automatic payroll deductions, electronic fund transfer (if available), or with a tax deductible deposit
- Receive and begin using your free HSA Debit Mastercard® from Sandy Spring Bank, or you may order checks

Retain your receipts for medical expenses paid through your HSA.



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Special Contribution Rules



Full HSA contribution regardless of month individual becomes eligible.

Under the last-month rule, if you are an eligible individual on the first day of the last month of your tax year, you are considered an eligible individual for the entire year. If contributions were made to your HSA based on your being an eligible individual for the entire year under the last-month rule, you must remain an eligible individual during the testing period, which begins with the last month of your tax year and ends on the last day of the 12th month following that month. If you fail to remain an eligible individual during the testing period, you may have to include in income the total contributions made to your HSA that wouldn't have been made except for the last-month rule, and you may have to pay penalties.

One-time transfer from IRAs to HSAs.

The new rules allow for a one-time contribution to an HSA of amounts distributed from an Individual Retirement Arrangement (IRA). The contribution must be made in a direct trustee-to-trustee transfer. The IRA transfer will not be included in income or subject to the early withdrawal additional tax. The transfer is limited to the maximum HSA contribution for the year, and the amount contributed is not allowed as a deduction. Generally, only one transfer may be made during the lifetime of an individual. If an individual electing the one-time transfer does not remain an eligible individual for the 12 months following the month of contribution, the individual may have to include the transferred amount in income and may have to pay penalties.



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Health Savings Accounts

Contact Information



If you have any questions about a Simple HSA, please contact our Health Savings Account Specialists.

Monday - Friday 8:00 a.m. to 7:00 p.m.
Saturday 8:00 a.m. to 1:00 p.m.

Email

HSA@sandyspringbank.com

Phone

800.399.5919 ext. 3155

Fax

410.312.0652

Mail

Sandy Spring Bank
Attn: Health Savings Account
Support, CSC
6831 Benjamin Franklin Drive
Columbia, MD 21046

For questions about qualified expenses and eligibility, please review IRS Publications 969 and 502 at www.irs.gov or contact your employer.

Please visit

www.sandyspringbank.com for our current rates, online banking enrollment, and additional information about Sandy Spring Bank.



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