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 $1,350 ($1,350 for 2019) for individual coverage and $2,700 ($2,700 for 2019) for family coverage. In addition, annual out-of-pocket expenses under the plan (including deductibles, co-pays, and co-insurance) cannot exceed $6,650 ($6,750 for 2019) for individual coverage and $13,300 ($13,500 for 2019) for family coverage. 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 $3,450 ($3,500 for 2019) for self-only coverage and $6,900 ($7,000 for 2019) 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 made by you or on your behalf are tax deductible when determining your adjusted gross income for tax purposes. Contributions made by your employer are already excluded from your gross income so they are not tax deductible. Earnings on amounts in your HSA are tax-deferred and are not included in gross income while held in the HSA.

These FAQs are for general information only and are not intended to provide specific advice or recommendation for any individual. Please consult your financial or tax advisor about your personal situation.

Sandy Spring Bank

From here. For here.

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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 subject to an additional 20% 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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