

# Health Savings Accounts

## Frequently Asked Questions



### Q. As the employer, how do I set up Direct Deposit?

#### A. DIRECT DEPOSIT OPTIONS -

##### 1. **Employer's payroll processor (i.e. Paychecks, ADP, Quickbooks, etc.)**

To set up a payroll deduction on behalf of your employees, contact your payroll processor and inform them that you would like to deduct a specified amount from each employee's paycheck every pay period. The bank account numbers will be provided by Sandy Spring Bank, or may be collected from your employees.

##### 2. **Employer's current financial institution**

Contact your current business banker and ask how your company can originate ACH Direct Deposits into your employees' checking accounts.

##### 3. **Sandy Spring Bank ebiz w/ACH**

Employers opening a Business Checking account are able to perform an Inter-Bank transfer from their current business account to SSB, and then disperse the ACH Credits into their employees HSA Checking accounts. The employer would manage these transactions using ebiz.

### Q. How can my employees avoid paying the \$2 Image Statement fee?

A. Your employees can receive a monthly paper statement with check safekeeping at no charge. They can also avoid the \$2 Image Statement fee by enrolling in our free online banking service and signing up for free electronic statements which

include images of paid checks. Your employees simply need to go to [sandyspringbank.com](http://sandyspringbank.com) to complete the online enrollment. BankXpress, our online banking service, is free and secure.

### Q. How can my employees avoid paying the \$5 Monthly Administration fee?

A. The \$5 monthly administration fee is waived in any monthly statement cycle your employee receives an ACH Direct Deposit in their HSA, or employee maintains the minimum daily ledger balance during the monthly statement cycle. Please note that your employees can set up a recurring personal ACH Direct Deposit from their personal checking into their HSA by using BankXpress, our free online banking service. The External Transfer feature of BankXpress Online Banking allows your employees to transfer money between their accounts at other banks and credit unions and their HSA. Your employees are also eligible to open a free personal checking account with Sandy Spring Bank.

### Q. May the employer recoup from an employee's HSA any portion of the employer's contribution to the employee's HSA?

A. No. The employee's interest in an HSA is nonforfeitable. For example, on January 2, the employer makes the maximum annual contribution to employees' HSAs, in the expectation that the

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employees would work for the entire calendar year. On February 1, one employee terminates employment. The employer may not recoup from that employee's HSA any portion of the contribution previously made to the employee's HSA.

### **Q. How much do I have to contribute to my employees' HSA, as an employer?**

A. As much or as little as you want while staying below the legal limit.

### **Q. Do HSA contributions have to be made in equal amounts each month?**

A. No, you can contribute in a lump sum or in any amounts or frequency you wish. However, keep in mind that the funds belong to the employee after they are deposited.

### **Q. I would like to make one contribution and fully fund my employees' deductible in their HSAs. How can I do that?**

A. Please mail your check along with deposit instructions to Sandy Spring Bank, Attn: HSA / CSC, 6831 Benjamin Franklin Drive, Columbia MD 21046.

### **Q. Can the employer and employee both contribute to the employees' HSA?**

A. Yes, contributions to HSAs can be made by the

employee, the employer, or both. All contributions are aggregated and must not exceed legal limit. If you contribute some of the money, your employees can make up the difference.

### **Q. As an employer, do I own my employees' HSAs? Can I control how they spend the money in them?**

A. No, you do not own your employees' HSAs. The employee fully owns the contributions to the account as soon as they are deposited, just as with a personal checking or savings account to which you would deposit their compensation. Please also note that Sandy Spring Bank cannot release specific transaction information about your employees HSA's to you, the employer.

### **Q. My employees want to contribute to their HSAs but want to make sure they get a tax benefit out of doing so. How does that work?**

A. Employee contributions can be made to HSA's on either after-tax or pre-tax basis. If made on an after-tax basis they should be counted as an above-the-line deduction on their tax return, effectively making their contributions tax-free. If they want to make the contribution pre-tax it can be done through a Section 125 (also called a "salary reduction" or "cafeteria plan").

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### **Q. As an employer, do I have to contribute the same amount to every employee's HSA?**

A. Employer contributions must be “comparable”, that is they must be in the same dollar amount or same percentage of the employee’s deductible for all employees with the same category of coverage — for this purpose, generally categories of coverage are either “self-only” or “family”, although consult the comparability regulations regarding the ability to subdivide the family category. You can also vary the level of contributions for “full-time” vs. “part-time” employees, and employees covered by a collective bargaining agreement are not covered by the comparability rules if health benefits were part of the agreement. You do not need to consider employees who do not have HDHP coverage as they are not eligible for HSA contributions.

### **Q. What happens if the employee is separated from the company?**

A. Please let us know if an employee has terminated employment with your company. As the employer, it is your responsibility to no longer make your contributions. As the Custodian, our agreement is with each individual employee. Your employee can keep the account, and the funds can still be used to pay for qualified medical expenses. Your employee could elect to make contributions on their own as long as they are still eligible. The account will remain

in good standing as long as funds remain or until the account is closed.

### **Q. How do I enroll a new employee?**

A. Each new employee must complete an HSA application. Please submit the application on behalf of your employee along with a cover letter indicating that the applicant is to be included with your group.

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