

HSA Certification Workshop





Introduction to HSAs

Learning Objectives

After completing this section, you will be able to

- ✔ describe how an HSA benefits financial organizations, employers, and eligible individuals;
- ✔ explain HDHP requirements;
- ✔ communicate HSA eligibility rules; and
- ✔ describe exceptions to HDHP coverage.

HSA History

Started in 2004

IRA-like accounts that cover medical expenses of HSA owner, spouse, and dependents



Definition of an HSA

Use now

Pay current out-of-pocket medical expenses*



Save for later

Pay for future medical expenses*

Immediate tax benefits



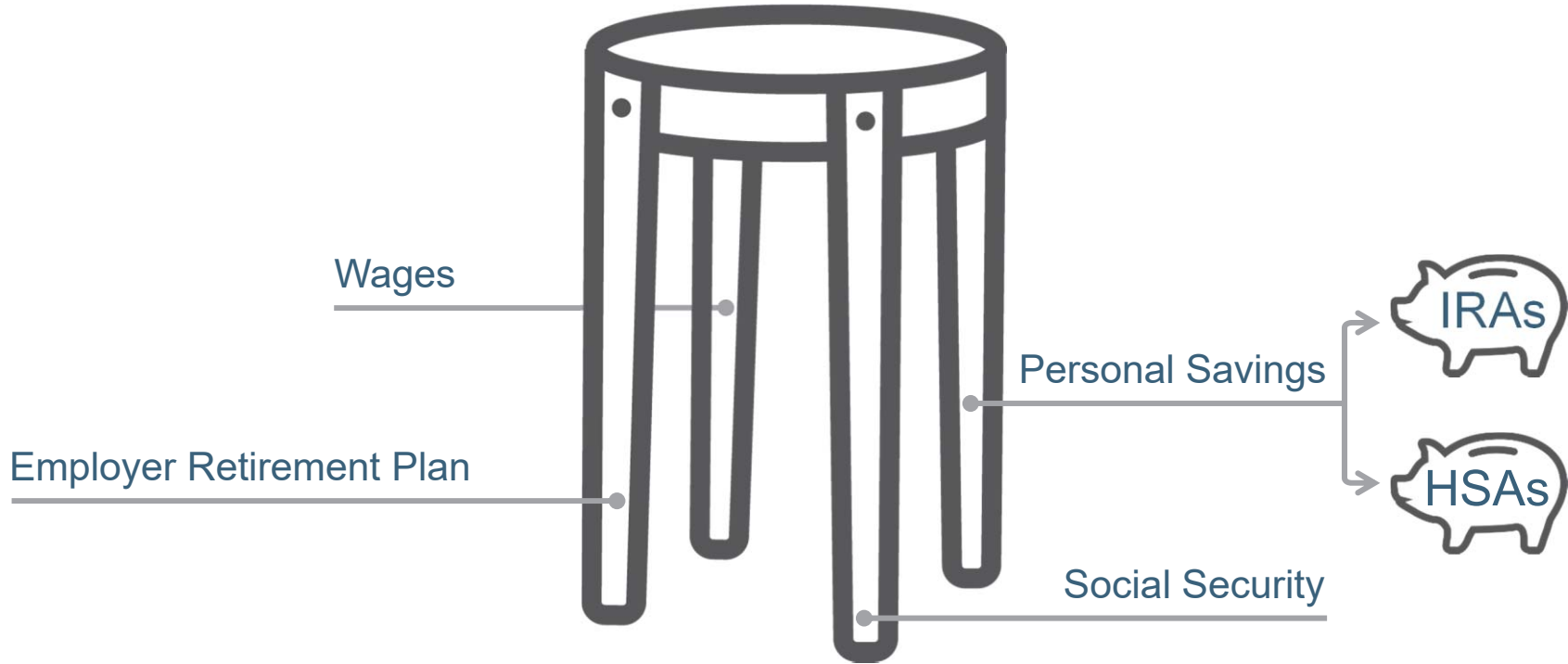
Added tax benefits

Retirement savings



*Medical expenses incurred by HSA owner, spouse, or dependents

Use the HSA in Retirement



HSA Trends

25+ million

HSA in 2018

\$53.8 billion

in HSA assets in 2018

88%

of HSA withdrawals done by debit card

\$2,764

Average account balance

5.5%

Approximate increase each year in health care spending for next 10 years



HSA Benefits



- Larger deposit base
- Expanded products
- Cross-selling
- Additional fees
- Increased ties to insurance companies



- Attract and retain employees
- Deduct employer contributions
- Lower health insurance costs



- Carry over balance
- Deduct nonemployer contributions
- Pay qualified expenses with pretax dollars
- Lower out-of-pocket premiums
- Supplement retirement income

HSA Eligibility



Covered by
an HDHP



Generally
not covered
by another
nonHDHP



Not enrolled
in Medicare



Not eligible
to be claimed
as a
dependent

Determining HSA Eligibility

HSA Contribution Eligibility Form

- Not an IRS requirement
- Reviews eligibility requirements
- Certifies eligibility

HDHP Requirements

Minimum Annual Deductible	2019	2020
Self-Only Coverage	\$1,350	\$1,400
Family Coverage	\$2,700	\$2,800
Maximum Annual Out-of-Pocket	2019	2020
Self-Only Coverage	\$6,750	\$6,900
Family Coverage	\$13,500	\$13,800

Establishing an HSA

Daphne is a participant in an HSA-eligible HDHP.

Her husband, James, is covered under her family HDHP.

They both may open an HSA in their own name.



Accident

Disability

Dental care

Vision care

Long-term care

**Permitted
insurance**

Preventive care

**Certain
prescription
drug plans**

**Certain health
FSAs**

Permitted Insurance



Covering specific
diseases and
illnesses

Workman's
compensation, tort,
and ownership and use
of property liabilities

Fixed payment for
hospitalization

Accident

Disability

Dental care

Vision care

Long-term care

**Permitted
insurance**

Preventive care

**Certain
prescription
drug plans**

**Certain health
FSAs**

Preventive Care



Not subject to the deductible limit

Generally cannot include treatment of existing illness or condition

Exception applies for treatment of a related condition

Accident

Disability

Dental care

Vision care

Long-term care

**Permitted
insurance**

Preventive care

Discount cards

**Certain health
FSAs**

Discount Cards



Discount cards
(i.e., pharmacy cards)

If required to pay
healthcare costs until
the HDHP deductible
is satisfied

Accident

Disability

Dental care

Vision care

Long-term care

**Permitted
insurance**

Preventive care

Discount cards

**Certain health
FSAs**

Certain Health FSAs



Limited-purpose FSA

Pays or reimburses accidents, disability, vision care, dental care, and preventive care

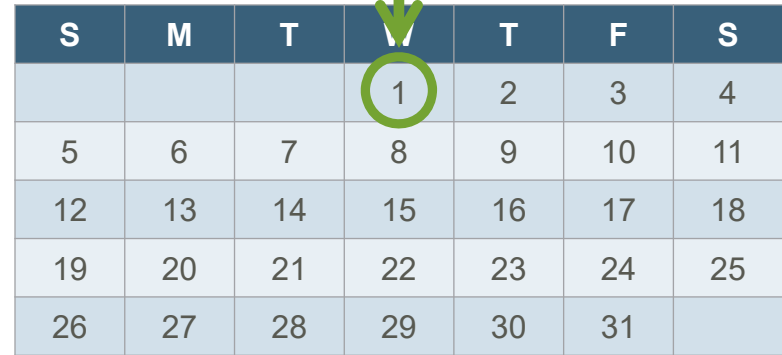
HDHP
coverage begins
midmonth



S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

July

HSA
eligibility
begins



S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

August

HSA Eligibility

Jack begins his HDHP coverage on 3/13/2019.

When will he become eligible to establish an HSA? Why?

4/1/2019


Eligibility begins on the first day of the month after HDHP coverage begins.



Introduction to HSAs

Page 9



A man and a woman are seated at a desk, looking at papers. The image is overlaid with a dark blue filter. The man is on the left, and the woman is on the right. They appear to be in a professional or administrative setting.

Establishing an HSA

Learning Objectives

After completing this section, you will be able to

- ✔ summarize the HSA opening documents, and
- ✔ identify the requirements for amending HSA documents.

Establishing an HSA





IRS Required Document

- Plan agreement



Additional Documents

(required by some financial organizations)

- Application
- Disclosure statement
- Regulatory documents

Establishing an HSA

Lila and Wyatt's HSA



Lila's HSA



Wyatt's HSA



HSA Application

HSA owner information



HSA Simplifier® Trust Application (front and back)

HSA HEALTH SAVINGS ACCOUNT APPLICATION

Name of HSA Owner _____ Account Number _____
PART 5. BENEFICIARY DESIGNATION

HSA Simplifier® HEALTH SAVINGS ACCOUNT APPLICATION

PART 1. HSA OWNER

Name (First/MI/Last) _____
Address Line 1 _____
Address Line 2 _____
City/State/ZIP _____
Social Security Number _____
Date of Birth _____ Phone _____
Email Address _____
Account Number _____

PART 2. HSA TRUSTEE

To be completed by the HSA trustee

Name _____
Address Line 1 _____
Address Line 2 _____
City/State/ZIP _____
Phone _____ Organization Number _____

- This is an amendment to an existing HSA.
- This HSA contains managed investments as described in the Trustee Management of Investment section of the agreement.

Name of HSA Owner _____, Account Number _____

PART 5. BENEFICIARY DESIGNATION

I designate that upon my death, the assets in this account be paid to the beneficiaries named below. The interest of any beneficiary that predeceases me terminates completely, and the percentage share of any remaining beneficiaries will be increased on a pro rata basis. If no beneficiaries are named, my estate will be my beneficiary.

I elect not to designate beneficiaries at this time and understand that I may designate beneficiaries at a later date.

PRIMARY BENEFICIARIES *(The total percentage designated must equal 100%. If more than one beneficiary is designated and no percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the HSA.)*

Primary beneficiaries Contingent beneficiaries Must survive HSA owner

Address _____

City/State/ZIP _____

Date of Birth _____ Relationship _____

Tax ID (SSN/TIN) _____ Percent Designated _____

Name _____

Address _____

City/State/ZIP _____

Date of Birth _____ Relationship _____

Tax ID (SSN/TIN) _____ Percent Designated _____

Address _____

City/State/ZIP _____

Date of Birth _____ Relationship _____

Tax ID (SSN/TIN) _____ Percent Designated _____

Name _____

Address _____

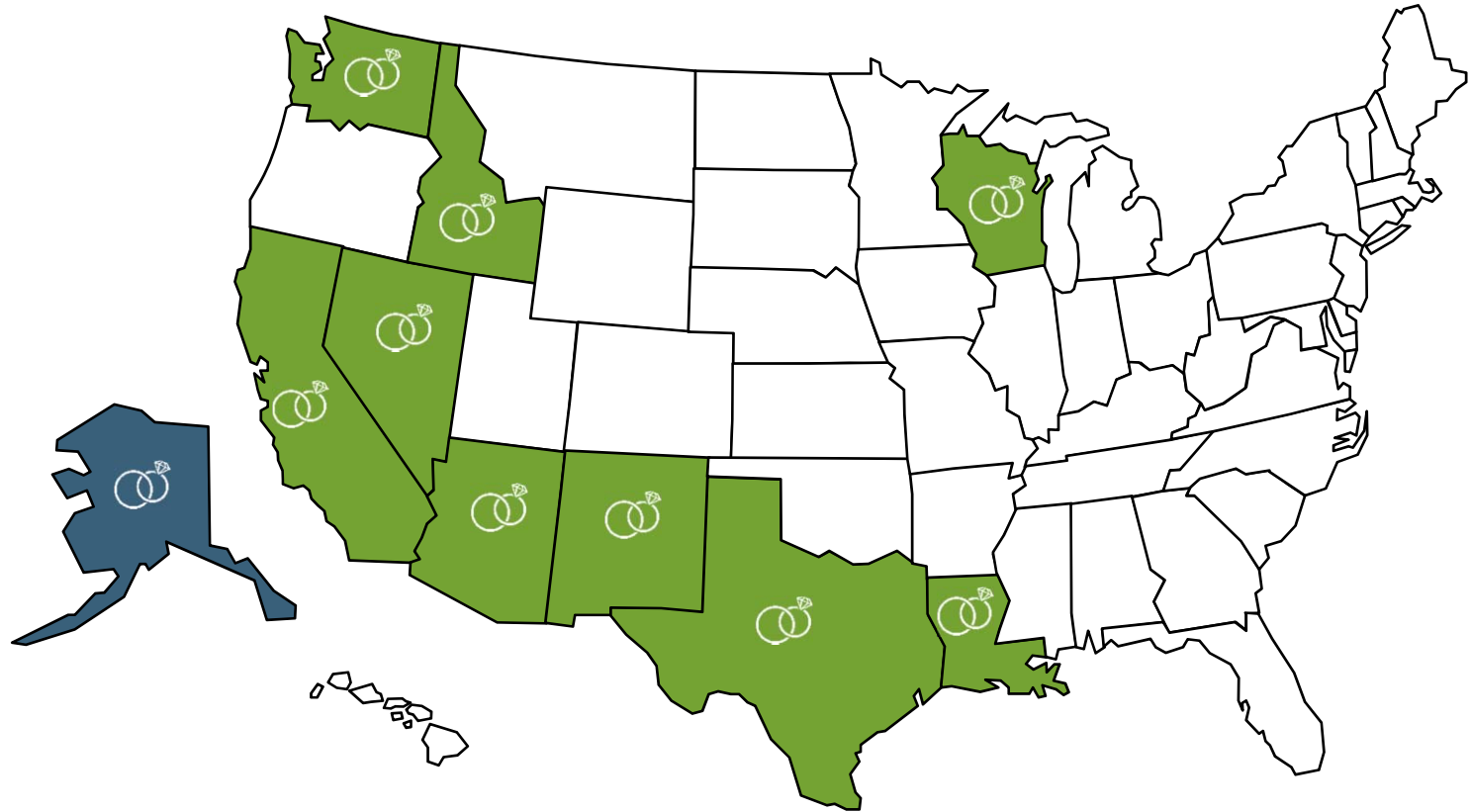
City/State/ZIP _____

Date of Birth _____ Relationship _____

Tax ID (SSN/TIN) _____ Percent Designated _____

Check here if additional beneficiaries are listed on an attached addendum. Total number of addendums attached to this HSA _____

Spousal Consent



PART 6. SPOUSAL CONSENT

Spousal consent should be considered if either the trust or the residence of the HSA owner is located in a community or marital property state.

CURRENT MARITAL STATUS

- I Am Not Married** – I understand that if I become married in the future, I should review the requirements for spousal consent.
- I Am Married** – I understand that if I choose to designate a primary beneficiary other than or in addition to my spouse, my spouse should sign below.

CONSENT OF SPOUSE

I am the spouse of the above-named HSA owner. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Because of the important tax consequences of giving up my interest in this HSA, I have been advised to see a tax professional.

I hereby relinquish any interest that I may have in this HSA and consent to the beneficiary designation indicated above. I assume full responsibility for any adverse consequences that may result.

X

Signature of Spouse

Date (mm/dd/yyyy)

X

Signature of Witness

Date (mm/dd/yyyy)

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PART 7. SIGNATURES

Important: Please read before signing.

I understand the eligibility requirements for the type of HSA contribution I am making, and I state that I do qualify to make the contribution. I have received a copy of the Health Savings Account Application, the 5305-B Trust Account Agreement, and the Disclosure Statement. I understand that the terms and conditions that apply to this HSA are contained in this Application and the HSA Trust Account Agreement. I agree to be bound by those terms and conditions.

I assume complete responsibility for

- determining that I am eligible for an HSA each year I make a contribution,
- ensuring that all contributions I make are within the limits set forth by the tax laws, and
- the tax consequences of any contributions (including rollover contributions) and distributions.

X

Signature of HSA Owner

Date (mm/dd/yyyy)

X

Signature of Witness

Date (mm/dd/yyyy)

X

Signature of Trustee

Date (mm/dd/yyyy)

Page 2 of 8

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**Both parties
must sign**

HEALTH SAVINGS TRUST ACCOUNT AGREEMENT

Form 5305-B under section 223(a) of the Internal Revenue Code.

FORM (Rev. October 2016)

The account owner named on the application is establishing this health savings account (HSA) exclusively for the purpose of paying or reimbursing qualified medical expenses of the account owner, his or her spouse, and dependents. The account owner represents that, unless this account is used solely to make rollover contributions, he or she is eligible to contribute to this HSA, specifically, that he or she: (1) is covered under a high deductible health plan (HDHP); (2) is not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing preventive care and limited types of permitted insurance and permitted coverage); (3) is not enrolled in Medicare; and (4) cannot be claimed as a dependent on another person's tax return.

The account owner has assigned this trust account the sum indicated on the application.

The account owner and the trustee make the following agreement:

ARTICLE I

1. The trustee will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member, or any other person). No contributions will

responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

ARTICLE IV

The account owner's interest in the balance in this trust account is nonforfeitable.

ARTICLE V

1. No part of the trust funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).
2. The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.
3. Neither the account owner nor the trustee will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

ARTICLE VI



Form 5305-B

4. Qualified HSA distributions from a health flexible spending arrangement or health reimbursement arrangement must be completed in a trustee-to-trustee transfer and are not subject to the maximum annual

3. The trustee is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiation of the distribution.



Form 5305-C

THIS SCHEDULE IS SUBJECT TO THE "EXCESS" TRUST FUNDS ARE SUBJECT TO COST-OF-LIVING ADJUSTMENTS AFTER 2012.

2. Contributions to Archer MSAs or other HSAs count toward the

owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other



Custom-Designed Document

contributions to this HSA have exceeded the maximum annual contribution limit described in Article II. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the trustee that there exist excess contributions to the HSA. It is the

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles I through VIII and this sentence are controlling. Any additional article in this agreement that is inconsistent with section 223 or IRS published guidance will be void.

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Page 3 of 8
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Plan Agreement



Contract



What is the default beneficiary in your plan agreement?

HEALTH SAVINGS TRUST ACCOUNT AGREEMENT

Form 5305-B under section 223(a) of the Internal Revenue Code.

FORM (Rev. October 2016)

The account owner named on the application is establishing this health savings account (HSA) exclusively for the purpose of paying or reimbursing qualified medical expenses of the account owner, his or her spouse, and dependents. The account owner represents that, unless this account is used solely to make rollover contributions, he or she is eligible to contribute to this HSA; specifically, that he or she: (1) is covered under a high deductible health plan (HDHP); (2) is not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing preventive care and limited types of permitted insurance and permitted coverage); (3) is not enrolled in Medicare; and (4) cannot be claimed as a dependent on another person's tax return.

The account owner has assigned this trust account the sum indicated on the application.

The account owner and the trustee make the following agreement:

ARTICLE I

1. The trustee will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member, or any other person). No contributions will be accepted by the trustee for any account owner that exceeds the maximum amount for family coverage plus the catch-up contribution.
2. Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).
3. Rollover contributions from an HSA or an Archer Medical Savings Account (Archer MSA) (unless prohibited under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article II.
4. Qualified HSA distributions from a health flexible spending arrangement or health reimbursement arrangement must be completed in a trustee-to-trustee transfer and are not subject to the maximum annual contribution limit set forth in Article II.
5. Qualified HSA funding distributions from an individual retirement account must be completed in a trustee-to-trustee transfer and are subject to the maximum annual contribution limit set forth in Article II.

ARTICLE II

1. For calendar year 2011, the maximum annual contribution limit for an account owner with single coverage is \$3,050. This amount increases to \$3,100 in 2012. For calendar year 2011, the maximum annual contribution limit for an account owner with family coverage is \$6,150. This amount increases to \$6,250 in 2012. These limits are subject to cost-of-living adjustments after 2012.
2. Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.
3. For calendar year 2009 and later years, an additional \$1,000 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare.
4. Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

ARTICLE III

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit described in Article II. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the trustee that there exist excess contributions to the HSA. It is the

responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

ARTICLE IV

The account owner's interest in the balance in this trust account is nonforfeitable.

ARTICLE V

1. No part of the trust funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).
2. The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.
3. Neither the account owner nor the trustee will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

ARTICLE VI

1. Distributions of funds from this HSA may be made upon the direction of the account owner.
2. Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 20 percent tax on that amount. The additional 20 percent tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.
3. The trustee is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

ARTICLE VII

If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

1. If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.
2. If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

ARTICLE VIII

1. The account owner agrees to provide the trustee with information necessary for the trustee to prepare any report or return required by the IRS.
2. The trustee agrees to prepare and submit any report or return as prescribed by the IRS.

ARTICLE IX

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles I through VIII and this sentence are controlling. Any additional article in this agreement that is inconsistent with section 223 or IRS published guidance will be void.

Page 3 of 8
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SPECIFIC INSTRUCTIONS

Article XI – Article XI and any that follow it may incorporate additional provisions that are agreed to by the account owner and trustee. The additional provisions may include, for example, definitions, restrictions on rollover contributions from HSAs or Archer HSAs (requiring a rollover not later than 60 days after receipt of a distribution and limited to one rollover during a one-year period), investment powers, voting rights, exculatory provisions, amendment and termination, removal of trustee, trustee's fees, state law requirements, treatment of excess contributions, distribution procedures (including frequency or minimum dollar amount), use of debit, credit, or stored-value cards, return of mistaken distributions, and descriptions of prohibited transactions. Attach additional pages if necessary.

DISCLOSURE STATEMENT

REQUIREMENTS OF AN HSA

A. Cash Contributions – Your contribution must be in cash, unless it is a

D. Nonforfeitureability – Your interest in your HSA is nonforfeitable.

E. Eligible Trustees – The trustee of your HSA must be a bank, savings and



IRS Pub. 969

attained age 55 before the close of the taxable year, the annual contribution limit is increased by an additional amount not to exceed \$1,000 each year. The annual limit is decreased by \$222 each

month during the taxable year, amounts contributed to your HSA are deductible in determining adjusted gross income up to the maximum contribution limits discussed above. The deduction is allowed



Forms Provider

C. Contribution Eligibility – You are an eligible individual for any month if you (1) are covered under an HDHP on the first day of such month; (2) are not also covered by any other health plan that is not an HDHP and that provides coverage for any benefits covered under the HDHP (with limited exceptions); (3) are not enrolled in Medicare; and (4) are not eligible to be claimed as a dependent on another person's tax return.

In general, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. Specifically, an HDHP has an annual deductible of at least \$1,350 (for 2018 and 2019) for self-only coverage and at least \$2,700 (for 2018 and 2019) for family coverage. In addition, the sum of the annual out-of-pocket expenses required to be paid (deductibles, copayments, and amounts other than premiums) cannot exceed \$6,650 (for 2018) or \$6,750 (for 2019) for self-only coverage and \$13,300 (for 2018) or \$13,500 (for 2019) for family coverage. All of these dollar amounts may be adjusted annually for cost-of-living increases.

C. Excess Contributions – An excess contribution is any amount that is contributed to your HSA that exceeds the amount that you are eligible to contribute. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed upon the excess amount. The procedure for correcting an excess is determined by the timeliness of the correction as identified below.

- 1. Removal Before Your Tax Filing Deadline.** An excess contribution may be corrected by withdrawing the excess amount, along with the earnings attributable to the excess, before your tax filing deadline, including extensions, for the year for which the excess contribution was made. An excess withdrawn under this method is not taxable to you, but you must include the earnings attributable to the excess in your taxable income in the year in which the contribution was made. The six percent excess contribution penalty tax will be avoided.

Disclosure Statement



**Nontechnical
explanation of
HSA rules**

SPECIFIC INSTRUCTIONS

Article XI – Article XI and any that follow it may incorporate additional provisions that are agreed to by the account owner and trustee. The additional provisions may include, for example, definitions, restrictions on rollover contributions from HSAs or Archer MSAs (requiring a rollover not later than 60 days after receipt of a distribution and limited to one rollover during a one-year period), investment powers, voting rights, exculpatory provisions, amendment and termination, removal of trustee, trustee's fees, state law requirements, treatment of excess contributions, distribution procedures (including frequency or minimum dollar amount), use of debit, credit, or stored-value cards, return of mistaken distributions, and descriptions of prohibited transactions. Attach additional pages if necessary.

DISCLOSURE STATEMENT

REQUIREMENTS OF AN HSA

A. Cash Contributions – Your contribution must be in cash, unless it is a rollover contribution.

B. Maximum Contribution – The total amount that may be contributed to your HSA for any taxable year is the sum of the limits determined separately for each month. The determination for each month is based on whether, as of the first day of such month, you are eligible to contribute and whether you have self-only or family coverage under a high deductible health plan (HDHP). If you have self-only coverage, the maximum monthly contribution is 1/12 of \$3,650 (for 2018) or \$3,500 (for 2019). If you have family coverage, the maximum monthly contribution is 1/12 of \$6,900 (for 2018) or \$7,000 (for 2019). These limits are subject to cost-of-living increases. In addition, if you have attained age 55 before the close of the taxable year, the annual contribution limit is increased by an additional amount not to exceed \$1,000 each year. The annual limit is decreased by aggregate contributions made to an Archer MSA and by any qualified HSA funding distributions from an IRA deposited into the HSA.

If you become HSA-eligible after the beginning of the year, you may make a full year's contribution up to the statutory contribution limit as long as you maintain eligibility during the testing period. The testing period begins the last month of the initial eligibility year and ends at the end of the 12-month period following that month. If you do not remain eligible during the testing period, you must include in your gross income the contributions made for the months that you were not otherwise eligible and pay a 10 percent penalty tax on the amount.

C. Contribution Eligibility – You are an eligible individual for any month if you (1) are covered under an HDHP on the first day of such month; (2) are not also covered by any other health plan that is not an HDHP and that provides coverage for any benefit covered under the HDHP (with limited exceptions); (3) are not enrolled in Medicare; and (4) are not eligible to be claimed as a dependent on another person's tax return.

In general, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. Specifically, an HDHP has an annual deductible of at least \$1,350 (for 2018 and 2019) for self-only coverage and at least \$2,700 (for 2018 and 2019) for family coverage. In addition, the sum of the annual out-of-pocket expenses required to be paid (deductibles, copayments, and amounts other than premiums) cannot exceed \$6,650 (for 2018) or \$6,750 (for 2019) for self-only coverage and \$13,300 (for 2018) or \$13,500 (for 2019) for family coverage. All of these dollar amounts may be adjusted annually for cost-of-living increases.

D. Nonforfeitable – Your interest in your HSA is nonforfeitable.

E. Eligible Trustee – The trustee of your HSA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.

F. Commingling Assets – The assets of your HSA cannot be commingled with other property except in a common trust fund or common investment fund.

G. Life Insurance – No portion of your HSA may be invested in life insurance contracts.

INCOME TAX CONSEQUENCES OF ESTABLISHING AN HSA

A. HSA Deductibility – If you are eligible to contribute to your HSA for any month during the taxable year, amounts contributed to your HSA are deductible in determining adjusted gross income up to the maximum contribution limits discussed above. The deduction is allowed regardless of whether you itemize deductions. Employer contributions to your HSA are excludable from your gross income and you cannot deduct such amounts on your tax return as HSA contributions.

B. Contribution Deadline – The deadline for making an HSA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar-year taxpayer and you make your HSA contribution on or before your tax filing deadline, your contribution is considered to have been made for the previous tax year if you designate it as such.

C. Excess Contributions – An excess contribution is any amount that is contributed to your HSA that exceeds the amount that you are eligible to contribute. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed upon the excess amount. The procedure for correcting an excess is determined by the timeliness of the correction as identified below.

1. Removal Before Your Tax Filing Deadline. An excess contribution may be corrected by withdrawing the excess amount, along with the earnings attributable to the excess, before your tax filing deadline, including extensions, for the year for which the excess contribution was made. An excess withdrawn under this method is not taxable to you, but you must include the earnings attributable to the excess in your taxable income in the year in which the contribution was made. The six percent excess contribution penalty tax will be avoided.

Amending HSA Documents

Obtain updated plan agreement or disclosure statement



Provide amendments to HSA owners



Place copy of amendment in each HSA owner's file or in master file



Law Changes That May Require Amendments



Tax Relief and Health Care Act of 2006

Effective 1/1/2007

Significant changes to HSA contribution and portability rules

Patient Protection and Affordable Care Act

Effective 1/1/2011

Penalty tax for nonqualified distributions increased from 10% to 20%

All medications, including OTCs, must be prescribed by a physician to be considered qualified medical expenses

Establishing an HSA

Page 23





HSA Funding

Learning Objectives

After completing this section, you will be able to

- ✔ state the HSA regular contribution and catch-up contribution limits,
- ✔ describe the last month rule,
- ✔ discuss how changes during the year in HDHP coverage affect contributions,
- ✔ discuss how Medicare affects eligibility,
- ✔ distinguish the regular contribution deadline,
- ✔ cite the rules for prior-year contributions,
- ✔ explain a qualified HSA funding distribution, and
- ✔ ensure accurate regular contribution reporting.

HSA Contribution Limits

Anyone may contribute



Contributions may be prorated



Limit depends on HDHP coverage



Self-only



Family

Spouses with family coverage split limit



HSA Contribution Limits

Regular Contribution	2019	2020
Self-Only Coverage Annual Limit	\$3,500	\$3,550
Family Coverage Annual Limit	\$7,000	\$7,100

Regular Contributions

George, age 46, enrolls in a family HDHP covering himself and his wife, Joann, age 45, beginning 1/1/2019.

On 10/3/2019, George left his company for a new job, and his new family health plan has a \$1,000 deductible.

Which months is George eligible to contribute to his HSA with his new employer?

None, George's new plan is not an HDHP.



Regular Contributions

What is the total amount George can contribute to his HSA for 2019?

\$5,833.33 ($\$7,000/12 \times 10$)



Regular Contributions

If George contributes the total amount he is allowed for 2019, how much can Joann contribute to her HSA for 2019? Why?

\$0, the limit for George and Joann is an aggregate total. If George contributes \$5,833.33, the limit has been met.



HSA
Contribution
Limits



Age 55 or older by December 31



Contributions may be prorated



Each spouse with family coverage is eligible to contribute to own HSA

Catch-up Contributions

Catch-up Contribution	2019	2020
Annual Limit	\$1,000	\$1,000

Catch-up Contributions

Melissa, age 57, and David, age 55, are married. They have family coverage under Melissa's HDHP and are otherwise eligible individuals.

What is the maximum amount Melissa can contribute to her HSA for 2019? Why?

\$8,000. This is the family limit (\$7,000) plus Melissa is eligible to make the catch up contribution (\$1,000).



Catch-up Contributions

Melissa, age 57, and David, age 55, are married. They have family coverage under Melissa's HDHP and are otherwise eligible individuals.

If Melissa makes the maximum contribution to her HSA, what amount can David contribute to his HSA? Why?

\$1,000. David is still eligible to make the catch-up contribution, but no other amount because Melissa contributed up to the annual limit.



HSA Assets are Nonforfeitable



HSA owner's interest generally is nonforfeitable



Employers cannot recoup any portion of the employer contribution

Aggregated Contributions



+



+



=



Eligible contribution limit

Aggregated Contributions

Kristen, age 45, is single. She has self-only coverage under her HDHP. Kristen's employer makes an annual contribution to her HSA of \$1,000.

What is the maximum amount Kristen can contribute to her HSA for 2019? Why?

\$2,500

Kristen is eligible to contribute the remainder of the self-only coverage limit of \$2,500 (\$3,500 - \$1,000).



HSA Contributions and Medicare



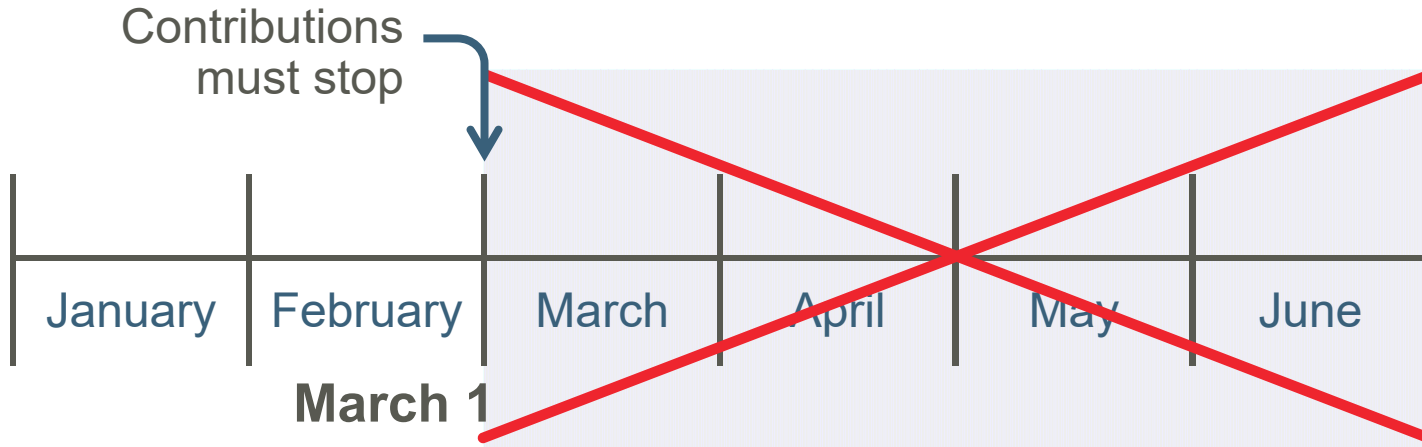
Eligibility to contribute ends month individual enrolled in Medicare

HSA Contributions and Medicare

Beth, age 65, has an HSA-eligible HDHP with self-only coverage. If Beth enrolls in Medicare on 3/1/2019, her 2019 contribution limit equals 2/12 of the annual statutory limit. She has until the 2019 tax return deadline (4/15/2020) to make her contribution for 2019.



HSA Contributions and Medicare



How much can Beth contribute for 2019 to her HSA?

$\$750.00 ((\$3,500 + \$1,000)/12 \times 2)$

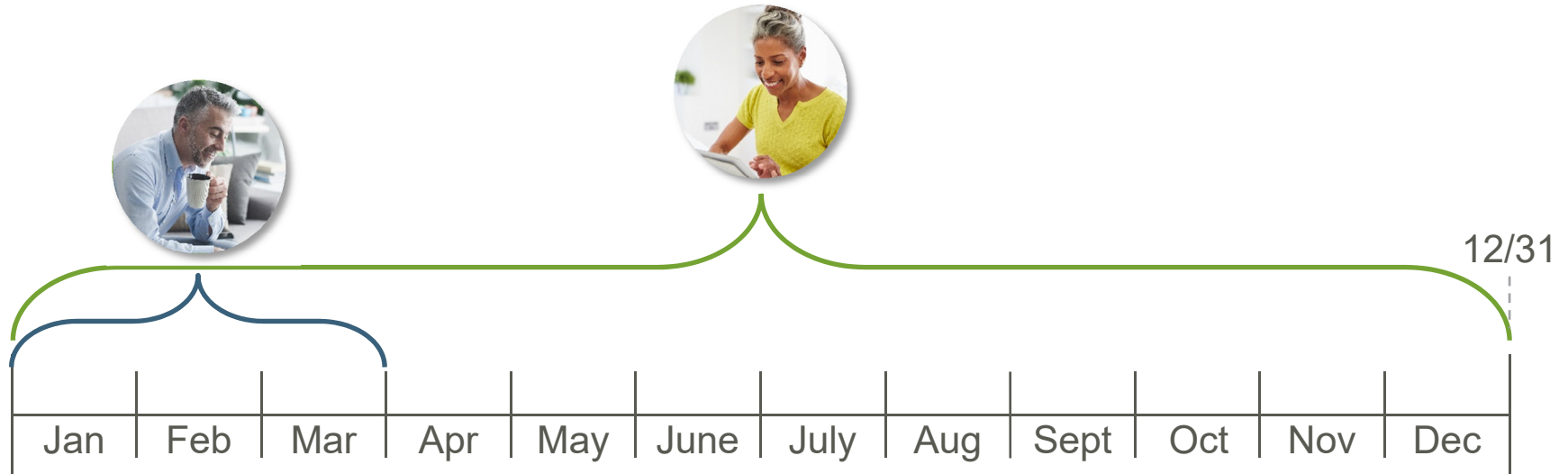


HSA Contributions and Medicare

Example: Henry, age 65, and Suzie, age 63, are married. Henry is retired and has been enrolled in Medicare since April 1, 2019. Suzie is working and has family HDHP coverage through her employer. How much can each contribute to an HSA for 2019?

Henry = \$2,000 $((\$7,000)/12 \times 3) + (1,000/12 \times 3)$

Suzie = \$6,250 (\$5,000 remaining on the family limit plus \$1,000 catch up contribution).



Last Month Rule



HSA-eligible as of
December 1



Contribution limit is
greater of

sum of monthly limits

January	February	March	April	May	June
July	August	September	October (first eligible)	November	December

or annual contribution limit

January	February	March	April	May	June
July	August	September	October (first eligible)	November	December

Last Month Rule

Anna enrolled in self-only coverage on 4/1/2019.

Annual contribution limit is \$3,500

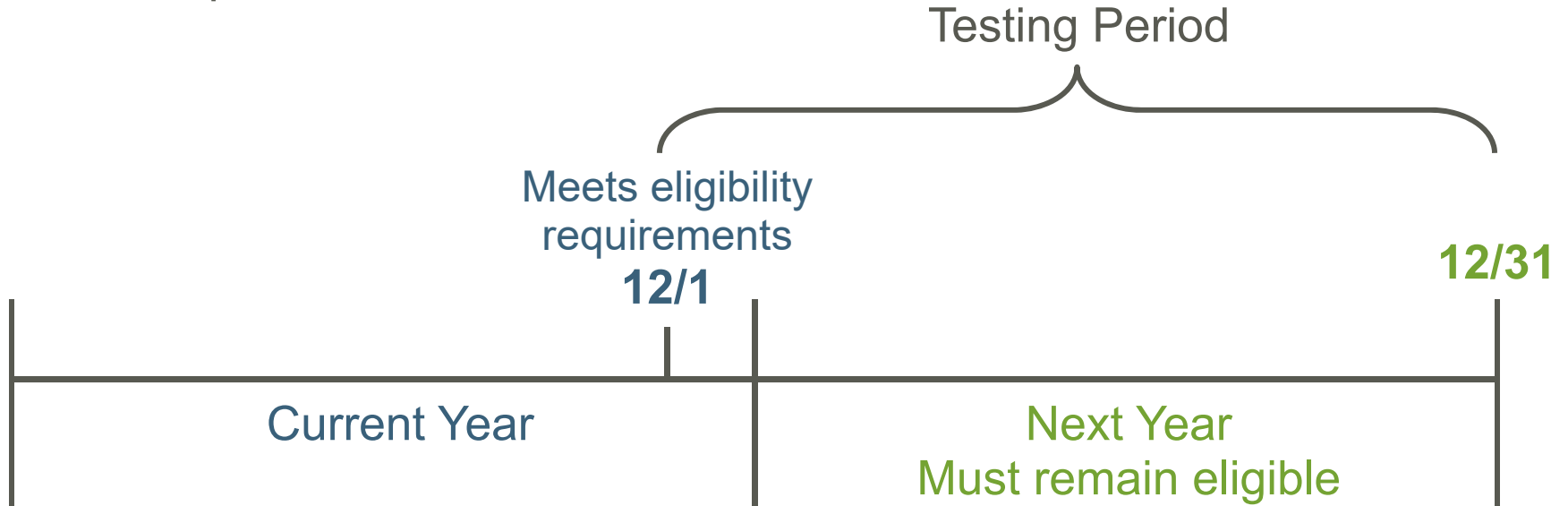
Monthly contribution limit is \$2,625 ($\$3,500/12 \times 9$)

Anna's contribution limit is \$3,500



Testing Period

If using last month rule, HSA owner must meet testing period to avoid taxes and penalties.



Testing Period

Tony enrolls in self-only coverage on 6/1/2019.

His contribution limit is the annual limit instead of the sum of his monthly contribution limits.

He must remain eligible from 12/1/2019, through 12/31/2020.



Testing Period

Tony changes jobs and is no longer HSA-eligible as of April 2019.

- Does not remain HSA-eligible through testing period
- Owes taxes and penalty taxes on 5 months of contributions



Change in Coverage During the Year



Using last month rule

Treated as covered by same HDHP coverage for entire year as held on December 1

Not required to decrease annual contribution limit

Switch from Family Coverage to Self-Only Coverage

Matthew enrolled in family coverage on 1/1/2019.

Changed to self-only coverage
on 9/1/2019

Held self-only coverage
on 12/1/2019.



Switch from Family Coverage to Self-Only Coverage

2019 contribution limit is \$5,833.34

Sum of the monthly limits is greater than the annual contribution limit for self-only coverage held on 12/1/2019 (\$3,500)



Switch from Family Coverage to Self-Only Coverage

Family coverage: $(\$7,000/12 \times 8) = \$4,666.67$

Self-only coverage: $(\$3,500/12 \times 4) = \$1,166.67$

Sum of monthly limits: $\$4,666.67 + \$1,166.67 = \$5,833.34$

$\$5,833.34$ (monthly) > $\$3,500$ (annual)



Switch from Self-Only Coverage to Family Coverage

Michelle enrolled in self-only coverage on 1/1/2019.

Changed to family coverage on 9/1/2019

Held family coverage as of 12/1/2019



Switch from Self-Only Coverage to Family Coverage

2019 contribution limit is \$7,000.

The annual contribution limit for family coverage held on 12/1/2019 is greater than the sum of the monthly limits (\$4,666.66).



Switch from Self-Only Coverage to Family Coverage

Self-only coverage: $(\$3,500/12 \times 8) = \$2,333.33$

Family coverage: $(\$7,000/12 \times 4) = \$2,333.33$

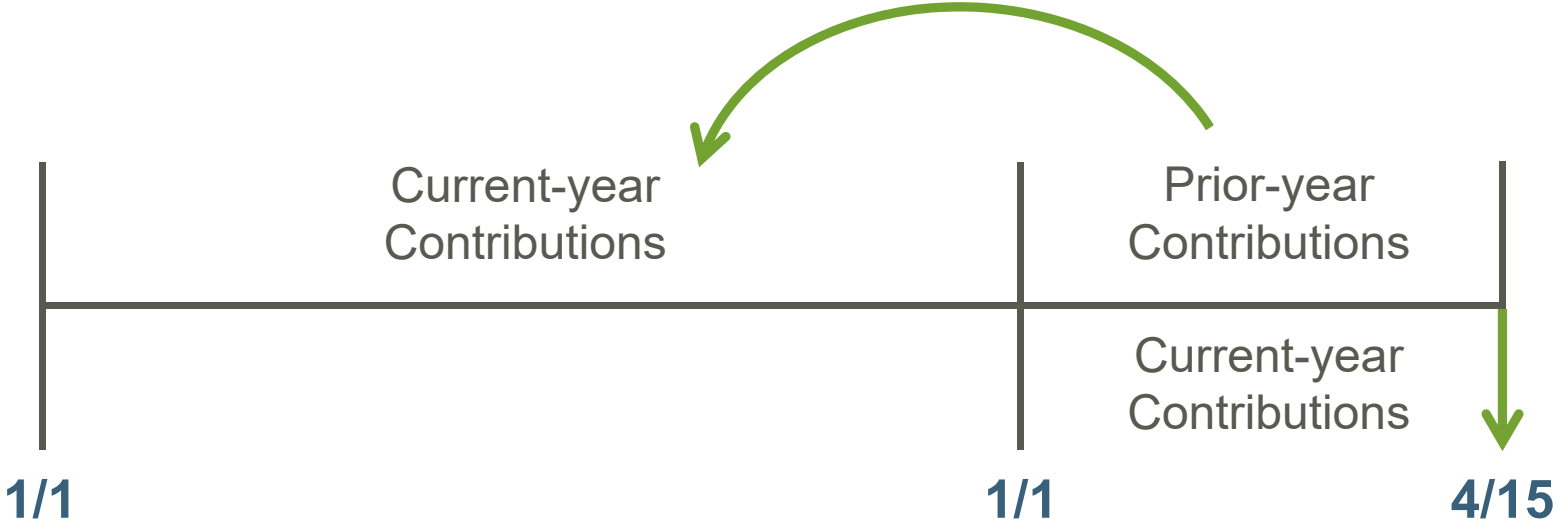
Sum of monthly limits:

$\$2,333.33 + \$2,333.33 = \$4,666.66$

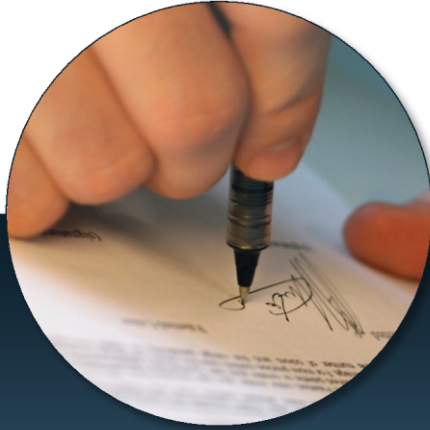
$\$7,000$ (annual) > $\$4,666.66$ (monthly)



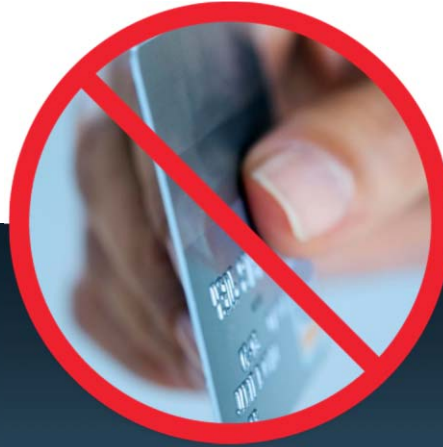
Annual Contribution Deadline



Prior-Year Contributions



In writing



Irrevocable



Timely if
postmarked by
deadline

HSA Contribution and Investment Selection Form

HSA CONTRIBUTION AND INVESTMENT SELECTION

PART 1. HSA OWNER

Name (First/Mi/Last) _____
Social Security Number _____
Date of Birth _____ Phone _____
Email Address _____
Account Number _____ Suffix _____

PART 2. HSA TRUSTEE OR CUSTODIAN

To be completed by the HSA trustee or custodian

Name _____
Address Line 1 _____
Address Line 2 _____
City/State/ZIP _____
Phone _____ Organization Number _____

PART 3. CONTRIBUTION INFORMATION

Contribution Amount _____ Contribution Date _____

CONTRIBUTION TYPE (Select one)

- 1. Regular** (Includes catch-up contributions as well as qualified HSA funding distributions from an IRA)
Contribution for Tax Year _____ (Qualified HSA funding distributions from an IRA must be made for the current tax year)

PART 3. CONTRIBUTION INFORMATION

Contribution Amount _____ Contribution Date _____

CONTRIBUTION TYPE (Select one)

- 1. Regular** (Includes catch-up contributions as well as qualified HSA funding distributions from an IRA)

Contribution for Tax Year _____ (Qualified HSA funding distributions from an IRA must be made for the current tax year)

Deposit Taken by _____

PART 5. SIGNATURE

I certify that all of the information provided by me is accurate and may be relied upon by the trustee or custodian. I certify that the contribution described above is eligible to be contributed to the HSA and I authorize the deposit/investment in the manner described above.

X

Signature of HSA Owner _____

Date (mm/dd/yyyy) _____

3107 / 2614H (Rev. 10/2015)

Page 1 of 2
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Qualified HSA Funding Distribution

Must remain
HSA-eligible to avoid
taxes and penalty taxes



One-time
option



Tax-free
transaction

Traditional or
Roth IRA only



Cannot exceed
contribution
limit



Treat as current-year
contribution



Qualified HSA Funding Distribution

IRS Form 1040 Instructions explain HSA owner's reporting requirements.



Qualified HSA Funding Distribution Testing Period

Doug, age 35, has self-only coverage and determines that he would like to make a qualified HSA funding distribution from his Traditional IRA. On 6/14/2019 Doug took \$3,500 from his Traditional IRA and made the contribution to his HSA.

Doug must remain eligible until 6/30/2020. If Doug does not remain eligible for the entire 12 months following the HSA funding distribution, he would be subject to income tax and a 10 percent penalty tax.



Financial Organization Contribution Responsibilities



Accept no more than family coverage limit, plus catch-up, if eligible



Track HSA owner's age for accepting catch-up contributions

Reporting Regular Contributions

2727 VOID CORRECTED

TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Employee or self-employed person's Archer MSA contributions made in 2019 and 2020 for 2019 \$	OMB No. 1545-1518 <div style="font-size: 2em; font-weight: bold; text-align: center;">2019</div> Form 5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information
		2 Total contributions made in 2019 \$		
TRUSTEE'S TIN	PARTICIPANT'S TIN	3 Total HSA or Archer MSA contributions made in 2020 for 2019 \$		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.
PARTICIPANT'S name		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.)				
City or town, state or province, country, and ZIP or foreign postal code				
Account number (see instructions)				
		6 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		

Form **5498-SA** Cat. No. 38467V www.irs.gov/Form5498SA Department of the Treasury - Internal Revenue Service

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HSA owner files IRS Form 8889 with tax return

Reporting Prior-Year Contributions

On 3/28/2019 Jaret Reynolds made a contribution of \$1,800 for 2018. The financial organization would report this contribution on a 2018 Form 5498-SA in Box 3 and report this same contribution on a 2019 Form 5498-SA in Box 2.



2727 VOID CORRECTED

TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number BFS FINANCIAL ORGANIZATION 2100 SEYMOUR HIGHWAY WICHITA FALLS, TX 76301 (940) 555-9999		1 Employee or self-employed person's Archer MSA contributions made in 2018 and 2019 for 2018 \$ 2 Total contributions made in 2018 \$	OMB No. 1545-1518 <div style="font-size: 2em; font-weight: bold; text-align: center;">2018</div> Form 5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information
TRUSTEE'S TIN 00-1111111	PARTICIPANT'S TIN 111-22-3333	3 Total HSA or Archer MSA contributions made in 2019 for 2018 \$ 1800.00		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2018 General Instructions for Certain Information Returns.
PARTICIPANT'S name JARET REYNOLDS		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.) 1826 PEARL AVENUE		6 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code WICHITA FALLS, TX 76301				
Account number (see instructions)				

Form **5498-SA** Cat. No. 38467V www.irs.gov/Form5498SA Department of the Treasury - Internal Revenue Service

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2727 VOID CORRECTED

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TRUSTEE'S TIN 00-1111111	PARTICIPANT'S TIN 111-22-3333	3 Total HSA or Archer MSA contributions made in 2020 for 2019 \$		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.
PARTICIPANT'S name JARET REYNOLDS		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.) 1826 PEARL AVENUE		6 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code WICHITA FALLS, TX 76301				
Account number (see instructions)				

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HSA Funding

Page 38





HSA Distributions

Learning Objectives

After completing this section, you will be able to

- ✔ summarize the tax consequences of qualified and nonqualified distributions,
- ✔ describe ways to prevent an extension of credit to an HSA owner,
- ✔ communicate how HSA fees are handled,
- ✔ describe a mistaken distribution,
- ✔ correctly handle excess contributions,
- ✔ describe the tax treatment of the HSA after the HSA owner's death, and
- ✔ ensure accurate distribution reporting.

HSA Distributions



Payable on demand

HSA Distributions

May use distributions in current year to pay or reimburse expenses incurred since HSA was established, even if no longer HSA-eligible

May						
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

June						
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July						
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					



**HSA established
June 14**



HSA Distributions

In 2019, Penny, age 21, began self-only coverage and established and funded an HSA.

She continues to make annual HSA contributions for the next 15 years.

She takes no HSA distributions.

In 2033, Penny changes coverage to a nonHDHP.



HSA Distributions

Her balance has grown to \$50,000.

Penny is no longer eligible to make HSA contributions

She may take qualified distributions to pay for expenses that occurred after she established her HSA in 2019.



Qualified Distributions



Qualified medical
expenses



No income
taxes



No penalty
taxes

Qualified Distributions

Medical expenses that are

- Incurred on behalf of HSA owner, spouse, or dependents
- Incurred after HSA established
- Not covered by insurance
- Paid by HSA owner, spouse, or dependents



Qualified Distributions



Allowed to pay for qualified medical expenses even if spouse or dependents are not HSA-eligible



HSA owners determine if qualified

Publication 502

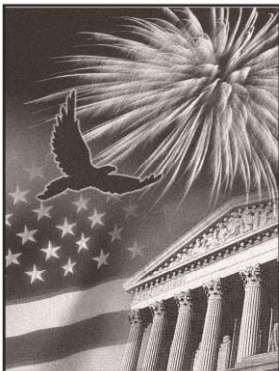
Cat. No. 15002Q

Medical and Dental Expenses

**(Including the Health
Coverage Tax Credit)**

For use in preparing

2018 Returns



Get forms and other information faster and easier at:

- [IRS.gov](https://www.irs.gov) (English)
- [IRS.gov/Korean](https://www.irs.gov/Korean) (한국어)
- [IRS.gov/Spanish](https://www.irs.gov/Spanish) (Español)
- [IRS.gov/Russian](https://www.irs.gov/Russian) (Русский)
- [IRS.gov/Chinese](https://www.irs.gov/Chinese) (中文)
- [IRS.gov/Vietnamese](https://www.irs.gov/Vietnamese) (Tiếng Việt)

Jan 09, 2019

Contents

What's New	1
Reminders	1
Introduction	2
What Are Medical Expenses?	2
What Expenses Can You Include This Year?	2
How Much of the Expenses Can You Deduct?	3
Whose Medical Expenses Can You Include?	3
What Medical Expenses Are Includible?	5
What Expenses Aren't Includible?	15
How Do You Treat Reimbursements?	17
How Do You Figure and Report the Deduction on Your Tax Return?	19
Sale of Medical Equipment or Property	19
Damages for Personal Injuries	20
Impairment-Related Work Expenses	21
Health Insurance Costs for Self-Employed Persons	21
Health Coverage Tax Credit	22
How To Get Tax Help	22
Index	25

Future Developments

For the latest information about developments related to Pub. 502, such as legislation enacted after it was published, go to [IRS.gov/Pub502](https://www.irs.gov/Pub502).

What's New

Standard mileage rate. The standard mileage rate allowed for operating expenses for a car when you use it for medical reasons is 18 cents a mile. See [Transportation](#) under *What Medical Expenses Are Includible*, later.

Reminders

Photographs of missing children. The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](#). Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Qualified Medical Expenses

- Generally qualify for the medical and dental expense tax deduction
- IRS Pub. 502

Nonqualified Distributions



Nonqualified
expenses



Taxable



20% penalty tax
unless exception

Penalty Tax Exceptions



Death



Disability



Age 65

HSA Withdrawal Authorization



Not required



Ensures proper reporting



Recommend tracking distributions and obtaining authorization

HSA Withdrawal Authorization

HSA WITHDRAWAL AUTHORIZATION

Refer to page 2 for reporting information.

PART 1. HSA OWNER

PART 2. HSA TRUSTEE OR CUSTODIAN

Name (FIRST/MIDDLE)

Name

PART 4. WITHDRAWAL INFORMATION

Total Withdrawal Amount _____

Withdrawal Date _____

This Withdrawal Will Close This HSA

WITHDRAWAL REASON (Select one)

- 1. Transfer to Another HSA
- 2. Normal Withdrawal
- 3. Disability
- 4. Prohibited Transaction
- 5. Excess Contribution Removed Before the Excess Removal Deadline
Net Income Attributable to Excess _____
- 6. Excess Contribution Removed After the Excess Removal Deadline
- 7. Death Withdrawal by a Beneficiary Taken in the Year of Death
- 8. Death Withdrawal by a Beneficiary Taken After the Year of Death

WITHDRAWAL INFORMATION

Amount

Will Close This HSA

REASON (Select one)
 Normal Withdrawal
 Disability
 Prohibited Transaction
 Excess Contribution Removed Before the Excess Removal Deadline
 Excess Contribution Removed After the Excess Removal Deadline
 Death Withdrawal by a Beneficiary Taken in the Year of Death
 Death Withdrawal by a Beneficiary Taken After the Year of Death

(If not specified in the Special Instructions section.)
Special Instructions

(If not specified in the Special Instructions section.)
 Withdrawal to the receiving organization(s)

Withdrawal to: _____
 Savings, HSA(s) _____
 (If applicable, please specify)

 Withdrawal to: _____
 Savings, HSA(s) _____

I hereby certify that the information provided by me is true and accurate. No tax advice has been expressly assumed or implied. I am solely responsible for any consequences that may arise from this withdrawal.

Signature of Recipient

Date (mm/dd/yyyy)

Notary Public Signature Guarantee (If required by the trustee or custodian)

Date (mm/dd/yyyy)

Authorized Signature of Trustee or Custodian

Date (mm/dd/yyyy)

2010-2-2020 Rev. 02/11/11

Page 1 of 2
 HSA-1041-10-11

Electronic Distributions



Electronic distributions should be tracked and reported as normal distributions.

Prohibited Transactions



HSA's may not have a negative balance



HSA is no longer an HSA as of January 1 of the year of the prohibited transaction.

20%

Assets are deemed distributed and subject to a 20% additional tax if not used for qualified medical expenses

Preventing an Extension of Credit



Prohibited transaction if financial organization creates a loan or credit obligation within HSA



Create policies to prevent

Three Possible Solutions to Prevent an Extension of Credit

1

Automatically draw assets from another account once HSA balance drops to zero

2

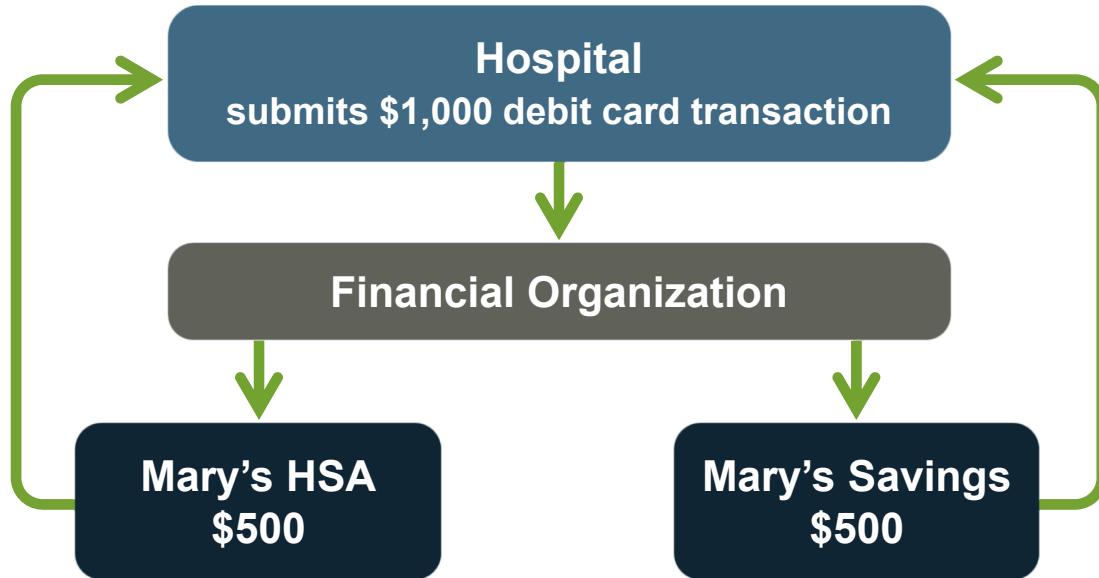
Automatically move assets from another account directly into HSA (reportable contribution)

3

Pay expenses with nonHSA checking and move HSA assets to nonHSA account to reimburse

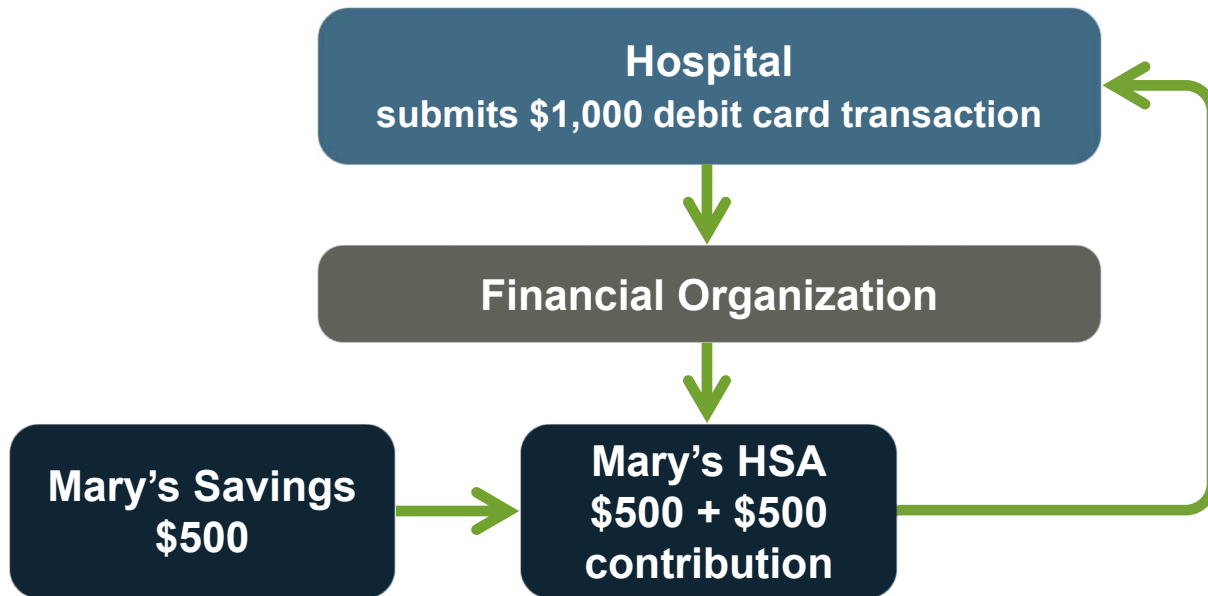
1

Automatically draw assets from another account once HSA balance drops to zero



2

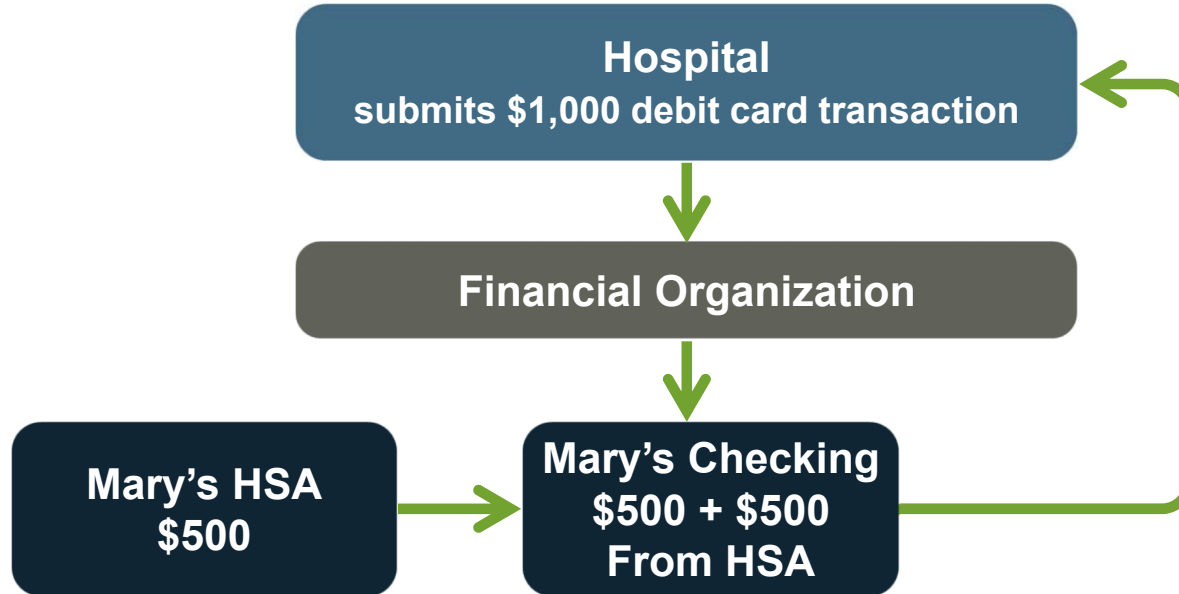
Automatically move assets from another account directly into HSA (reportable contribution)



NOTE: *This method creates an HSA contribution and may create an excess contribution.*

3

Pay expenses with nonHSA checking and move HSA assets to nonHSA account to reimburse



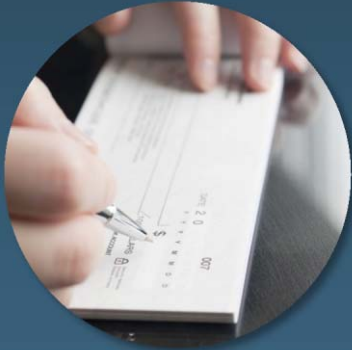
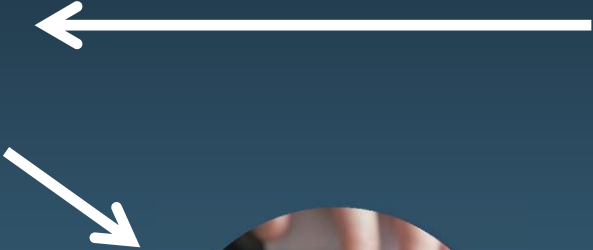
Authorized Signer Agreement and POA



Authorized Signer
or POA



HSA Owner



Access for Individuals Other Than the HSA Owner

Spencer and Hannah are married.

They are covered under Spencer's family HDHP.

Spencer has an HSA.

Hannah needs access because she takes the children to the doctor or pays for prescriptions.



Authorized Signer Agreement



Must have signed
agreement



Allows another
person to complete
routine transactions

POA



Must have signed
agreement

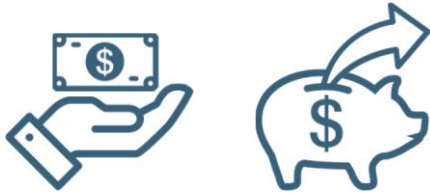


Allows another
person to complete
routine transactions



Verify valid under
state law

Administrative Fees



May be paid out-of-pocket or directly from HSA



Not a reportable distribution



HSA owner may not reimburse HSA if paid from HSA

Sales Charges and Commissions



Must be paid directly from HSA



Not a reportable distribution



HSA owner may not reimburse HSA



Where can you find
information about
charging fees?

Nonqualified Distributions of Ineligible Contributions



Included in gross
income

20%

penalty tax

Tax and
10%



Tax and
20%



Double
taxation

Nonqualified Distributions of Ineligible HSA Contributions

Morgan, age 33, enrolled in self-only HDHP coverage on 6/1/2018, and contributed the 2018 statutory limit of \$3,450 to her HSA because it is greater than \$2,012.50, the sum of her monthly contribution limits ($\$3,450/12 \times 7$).

Morgan is HSA eligible as of 12/1/2018, but ceases to be HSA eligible as of 7/1/2019.

Because Morgan fails to remain HSA-eligible through the 2018 testing period (12/1/2018 through 12/31/2019), she must include \$1,437.50 ($\$3,450 - \$2,012.50$) in her 2019 gross income and pay the additional 10% penalty tax (\$143.75).



Nonqualified Distributions of Ineligible HSA Contributions

On 7/2/2019, Morgan withdraws the ineligible contribution (\$1,437.50) from her HSA and does not use it to pay for qualified medical expenses.

She cannot treat the \$1,437.50 as an excess contribution. Instead, because Morgan took a nonqualified distribution, she again must include the \$1,437.50 in her 2019 gross income and also pay an additional 20% penalty tax (\$287.50) on the \$1,437.50 amount.



Mistaken Distribution



Believed distribution was qualified



May repay by April 15 following first year knew or should have known about mistake



Financial organizations not required to accept



Do not report

Mistaken Distributions

Ryan used his HSA debit card at his doctor's office for a medical expense.

He received notice from his insurance company that the expense would be covered.

He does not have any other outstanding medical expenses for the year.



Mistaken Distributions

The financial organization may accept returned mistaken distributions.

Ryan may repay the mistaken distribution no later than 4/15/2020.

No reporting should occur.



Excess HSA Contributions

Employers treat
excess as taxable
wages on Form W-2



Exceed the annual
limit or are made by
an ineligible individual



HSA owners cannot
deduct excess on
tax return



Only remove true
excess



Unwanted contributions
cannot be treated as an
excess



Excess HSA Contributions



Removed by the tax return deadline

- Remove the excess
- Remove the NIA
- Include the NIA as taxable income in distribution year



Removed after the tax return deadline

- 6% penalty tax on excess amount

Excess Contribution Correction When Balance Less Than Excess Amount

2727 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0047		2018		U.S. Individual Income Tax Return	
1 Form 1099-R or self-employed person's Archer MSA contribution made in 2018 and 2019 for 2018		2 2018 Form 1099-R		3 Total HSA or Archer MSA contributions made in 2018 for 2018		4 Rolfe's contributions	
5 Fair market value of HSA, Archer MSA, or MA MSA		6 HSA <input type="checkbox"/>		7 Archer MSA <input type="checkbox"/>		8 MA MSA <input type="checkbox"/>	
9 Total HSA or Archer MSA contributions made in 2018 for 2018		10 Total HSA or Archer MSA contributions made in 2018 for 2018		11 Total HSA or Archer MSA contributions made in 2018 for 2018		12 Total HSA or Archer MSA contributions made in 2018 for 2018	
13 Total HSA or Archer MSA contributions made in 2018 for 2018		14 Total HSA or Archer MSA contributions made in 2018 for 2018		15 Total HSA or Archer MSA contributions made in 2018 for 2018		16 Total HSA or Archer MSA contributions made in 2018 for 2018	
17 Total HSA or Archer MSA contributions made in 2018 for 2018		18 Total HSA or Archer MSA contributions made in 2018 for 2018		19 Total HSA or Archer MSA contributions made in 2018 for 2018		20 Total HSA or Archer MSA contributions made in 2018 for 2018	

Form 5498-SA Cat. No. 35467V www.irs.gov/Form5498-SA Department of the Treasury - Internal Revenue Service

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Report previous distribution as an excess distribution

Form 1040 U.S. Individual Income Tax Return 2018. The form includes sections for personal information, tax status, and a signature area. The signature area is highlighted with a red box and contains the text: 'Sign Here: I am the taxpayer. I declare that I have prepared this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I understand that anyone who prepares a return based on all the information that I give them has a duty to inform me.' There are also checkboxes for 'Preparer Use Only' and 'Check if preparer'.



CONTRIBUTION AND INVESTMENT SELECTION



WITHDRAWAL AUTHORIZATION
Refer to page 2 for reporting information.

Make and remove a contribution

Attach explanation to tax return

Employers May Recoup Contributions

- HSA owner's interest is generally nonforfeitable
- IRS Notice 2008-59 specifies two exceptions:



Employee was never
HSA-eligible



Contributions erroneously
exceeded annual contribution limit

- IRS Information Letter offers additional guidance for recouping

Employers May Recoup Contributions



Financial
organizations must

Return excess employer
contributions plus NIA to employer,
and

Suppress reporting of contribution
and subsequent distribution

Employers May Recoup Contributions



Employers must

Recoup by end of tax year, or

Include excess on employee's Form W-2 for year of excess

Employer Recouping Contributions

Sunrise Company makes a \$500 HSA contribution for each employee that was enrolled in the HDHP on 6/15 and again on 12/15 for a total contribution of \$1,000.

Sunrise Company realized that it contributed \$500 on behalf of Kevin Jones who is not enrolled in the HDHP.



Employer Recouping Contributions

Upon further examination it determined that Kevin is covered under his spouse's nonHDHP and has never been covered under an HDHP.

Sunrise is now contacting your financial organization to have the \$500 contribution returned to Sunrise.

Can the financial organization return the contribution? Why?

Yes. Kevin was never an eligible individual to contribute to an HSA because he has never been covered under an HDHP.



Employer Recouping Contributions

Would it be different if Kevin was covered under his spouse's HDHP?

If Kevin was covered under an HDHP he would be an eligible individual and the contribution could not be recouped by the employer.



Death of an HSA Owner

Tax Treatment After Death	
Spouse Beneficiary	<ul style="list-style-type: none">• Treated as surviving spouse's own HSA• Can use to pay qualifying medical expenses
Nonspouse Beneficiary	<ul style="list-style-type: none">• Ceases to be HSA as of date of death• All assets included in beneficiary's income for year of death
Estate Beneficiary	<ul style="list-style-type: none">• Ceases to be HSA as of date of death• FMV included in HSA owner's income on final tax return

Beneficiary Distributions

Donald died on 10/1/2019.

HSA beneficiaries: wife, Abigail, 50%, and son Curt, 50%

Abigail's portion becomes her HSA

If distributed, reported in her name and SSN

Curt's portion ceases to be an HSA

Distribution reported in his name and SSN



Reporting Distributions

9494 VOID CORRECTED

TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number			OMB No. 1545-1517 2019 Form 1099-SA	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.
PAYER'S TIN	RECIPIENT'S TIN	1 Gross distribution \$	2 Earnings on excess cont. \$	
RECIPIENT'S name		3 Distribution code	4 FMV on date of death \$	
Street address (including apt. no.)		5 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code				
Account number (see instructions)				

Form **1099-SA** Cat. No. 38471D www.irs.gov/Form1099SA Department of the Treasury - Internal Revenue Service

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HSA owner files IRS Form 8889 with tax return

IRS Form 1099-SA Distribution Codes

Distribution Codes	Definitions
Code 1	Use this code for normal distributions to the HSA owner and any direct payments to a medical service provider. Use this code if no other code applies.
Code 2	Use this code for distributions of excess HSA contributions removed before the HSA owner's tax return due date, plus extensions.
Code 3	Use this code if the distribution was made after the HSA owner was disabled.
Code 4	Use this code for distributions to an estate beneficiary in any year and distributions to a nonspouse beneficiary in the year of the HSA owner's death.
Code 6	Use this code for distributions to a nonspouse beneficiary in a year after the year of the HSA owner's death.

HSA Distributions

Page 60



A man and a woman are seated at a desk, looking at documents. The man is on the left, and the woman is on the right. The image is overlaid with a dark blue filter. The text 'HSA Portability' is written in white on the left side of the image.

HSA Portability

Learning Objectives

After completing this section, you will be able to

- ✔ differentiate between a transfer and a rollover, and
- ✔ ensure accurate rollover reporting.



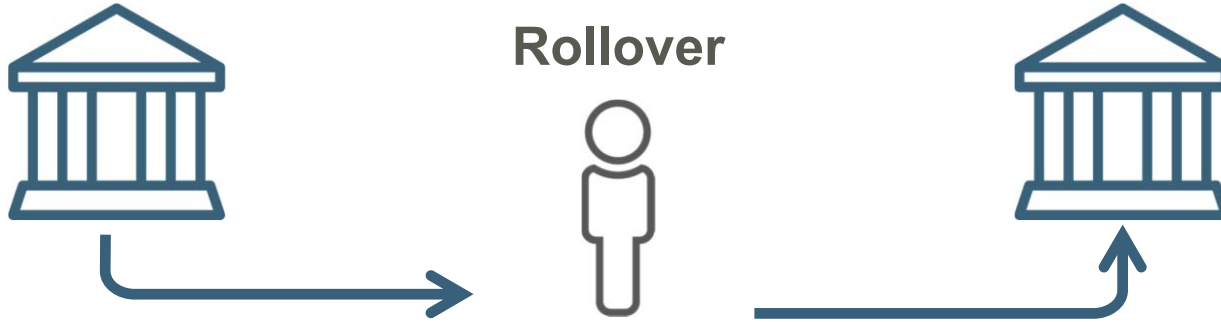
Occurs between HSAs or from an MSA

No constructive receipt of assets

No reporting

Unlimited number of transfers

HSA transfer request is not required



Occurs between HSAs or from an MSA

Constructive receipt of assets

Reporting

60-day rule

One-per-12-month rule

Irrevocable rollover designation

Reporting Rollover Contributions

2727 VOID CORRECTED

TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Employee or self-employed person's Archer MSA contributions made in 2019 and 2020 for 2019 \$	OMB No. 1545-1518 2019 Form 5498-SA	HSA, Archer MSA, or Medicare Advantage MSA Information
		2 Total contributions made in 2019 \$		
TRUSTEE'S TIN	PARTICIPANT'S TIN	3 Total HSA or Archer MSA contributions made in 2020 for 2019 \$		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2019 General Instructions for Certain Information Returns.
PARTICIPANT'S name		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$	
Street address (including apt. no.)		6 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA <input type="checkbox"/> MSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code				
Account number (see instructions)				

Form **5498-SA**

Cat. No. 38467V

www.irs.gov/Form5498SA

Department of the Treasury - Internal Revenue Service

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HSA Portability

Page 64





HSA Compliance

Learning Objectives

After completing this section, you will be able to

- ✔ identify the financial organization's responsibilities in administering HSAs, and
- ✔ recognize the information sources used for HSA guidance.

Financial Organization Responsibilities – HSA Establishment



Provide current plan agreement and disclosures

Retain signature

Obtain HSA owner information

Satisfy CIP requirements

Financial Organization Responsibilities – Amending



Obtain updated plan agreement and disclosure statement

Provide amendments to HSA owners

Place copy in HSA owner's file or master file

Financial Organization Responsibilities – Contributions



Accept deposits;
verify type and tax year



Document receipt and
required elections

Financial Organization Responsibilities – Distributions



Have HSA owner
or beneficiary
authorize



Determine
distribution reason



Document
beneficiary payouts

Financial Organization Responsibilities – Reporting



1099-SA
reporting deadline



5498-SA
reporting deadline



Submit timely
to IRS

Financial Organization Penalties

Requirement	Penalty	Code Section
Failure to provide HSA owner a copy of plan agreement	\$50 for each failure	IRC Sec. 6693(a)
Failure to provide HSA owner a copy of an amendment to the plan agreement when such an amendment is required	\$50 for each failure	IRC Sec. 6693(a)
Failure to timely file Form 1099-SA with the IRS	\$50 for each failure, no maximum	IRC Sec. 6693(a); 223(h)(1)
Failure to provide Form 1099-SA to HSA owner or beneficiary	\$50 for each failure, no maximum	IRC Sec. 6693(a); 223(h)(1)
Failure to timely file Form 5498-SA with the IRS	\$50 for each failure, no maximum	IRC Sec. 6693(a); 223(h)(1)
Failure to provide an account statement (generally copy B of Form 5498-SA) to HSA owner	\$50 for each failure, no maximum	IRC Sec. 6693(a); 223(h)(1)

HSA Owner's Responsibilities



Eligibility and contributions decisions

Investment and distribution decisions

Tax decisions

HSA Governmental Resources

IRC Sec. 223

IRS Notice 2008-52

IRS Pub. 969

IRS Notice 2008-59

IRS Pub. 502

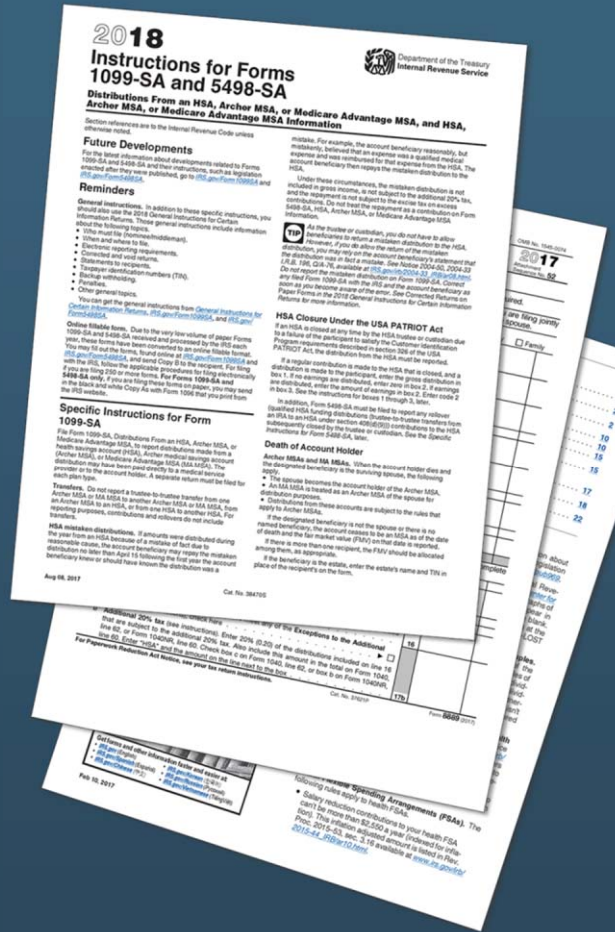
IRS Form 5305-B

IRS Notice 2004-2

IRS Form 5305-C

IRS Notice 2004-50

IRS Forms 1099-SA and 5498-SA Instructions



HSA Compliance

Page 71



Questions?

Thank you for attending

HSA Certification Workshop

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Please complete the electronic course survey for this course located on the Ascend 2019 mobile app.



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