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Tax guidelines for your 2021 HSA

These materials are not intended to provide individuals with tax or legal advice. You should consult with your own tax or legal advisors if you have any questions regarding the application of any of this material to a company or personal tax or legal situation.

Purpose and what we will cover

Purpose
Help you understand the HSA tax filing requirements

What we will cover
Overview of HSAs, definitions and context for filing taxes

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Health Savings Accounts (HSAs)

Available with a qualified HDHP

Individual bank account to pay for **Qualified Medical Expenses (QMEs)** for you and your dependents:

- Funds can earn interest, can be invested after threshold
- Debit cards, checks, bill pay options
- Funds are portable – your money goes with you

Provide triple tax savings (in most cases):

- Contributions are pre-tax if through payroll deduction
- Interest, investment gains and withdrawals/distributions not taxed if used for QMEs

Provide for future savings:

- Account rolls over and can grow from year to year

Why is tax filing required?

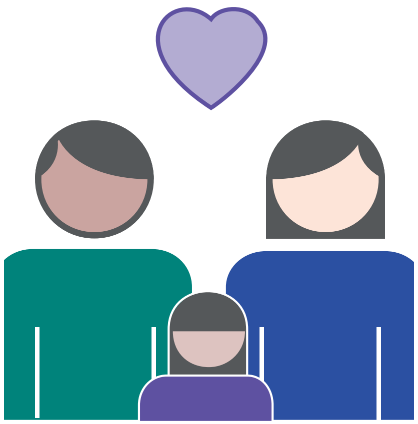
Individually owned account

Individual must assure their HSA complies with IRS requirements

Allows IRS to validate that you comply with requirements

- Did not over-contribute
- Used money for legitimate qualified medical expenses for you and dependents
- Maintained qualified medical coverage

Dependents



- Dependent must meet the qualifying child or relative definition
- A qualifying relative is related to you either by blood or marriage
- Parents who cover adult children under their HDHP may be unable to use HSA funds for their medical expenses
- IRS Publication 502 has additional information along with a diagram that can be used to determine dependent eligibility http://www.irs.gov/publications/p502/index.html

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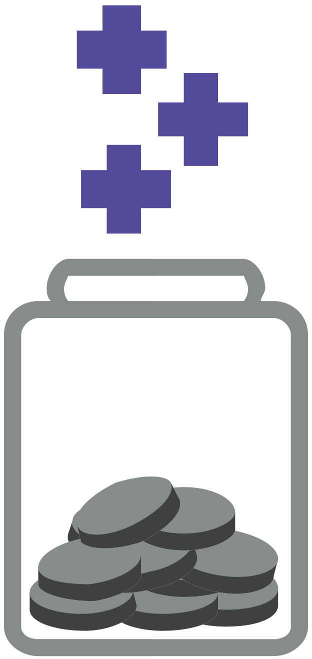
Contributions



Pre-Tax Contributions

Deductions for personal HSA contributions can be taken before calculating taxable income if employer has a Section 125 plan.

Post-Tax Contributions

If deposits are made directly into an HSA (not through pre-tax payroll deductions), this is referred to as a post-tax contribution deduction taken when filing taxes.

Contribution maximums

- Maximum contribution amounts:

	2021	2022
Single Coverage	$3,600	$3,650
Family Coverage	$7,200	$7,300
Catch Up Contribution (age 55+)	$1,000	$1,000

- Federal regulations set the maximum contribution amount
  - Level of plan coverage - Single or family
  - If the member has reached or will reach age 55 in the tax year
- If member and spouse each have their own HSA, then the contributions for both accounts combined cannot exceed the family maximum amount
- **BenefitWallet Service Center 877.472.4200**

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Prior year contributions

- Tax payer has until the IRS tax filing deadline (typically April 15th of the following year) to make contributions for the prior year
- Prior year, post-tax contributions may be made by personal check to The Bank of New York Mellon
- Download a deposit slip through **mybenefitwallet.com**
- Prior year contributions need to be marked "PRIOR YEAR" on the deposit slip to be posted correctly

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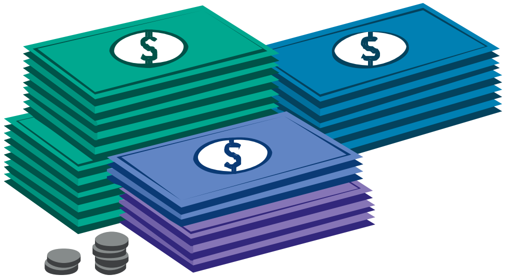
Distributions for qualified medical expenses

Distributions not taxable if used to pay for qualified medical expenses

- Health insurance premiums not included
- Qualified long-term care services and long-term care insurance (subject to limits)
- COBRA premiums
- Health insurance premiums for those on unemployment compensation
- Medicare Part A, B and D premiums, Medicare Advantage premiums (but not Medigap)
- Over-the-counter medicine

View a full list of qualified expenses at http://www.irs.gov/pub/irs-pdf/p502.pdf

More details on distributions



- Balances left in an HSA at the end of a year roll to the next year
- Members over 65 may use HSA funds as ordinary income and pay income tax
- Funds in the HSA can still be used for qualified medical expenses, even if the member is no longer enrolled in a qualified HDHP
- Members are responsible for ensuring that expenses paid from the account are qualified medical expenses
- A penalty applies if funds are used for non-qualified expenses under age 65

Tip: Reconcile incorrect distributions

- Member can correct an incorrect distribution
- Must be clear and convincing, reasonable error, from a factual mistake
- Must repay by no later than the IRS tax filing deadline (typically April 15th) following the first year you became aware of the mistake
- Under these circumstances the distribution is not included in gross income and the penalty does not apply
- Use the deposit slip to reconcile the distribution

Tax resources and support information

Websites

mybenefitwallet.com

www.irs.gov

IRS phone numbers

Questions involving individuals

1.800.829.1040

Questions involving businesses

1.800.829.4933

Member Service Center

877.472.4200

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