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## Health Savings Account FAQ's

### What is an HSA?

Health Savings Accounts (HSAs) are tax-advantaged medical savings accounts available to United States taxpayers who are enrolled in a qualified High Deductible Health Plan (HDHP). HSAs are owned by the individual, differentiating them from company-owned Health Reimbursement Arrangements (HRAs) that are an alternate tax-deductible source of funds paired with HDHPs. And, unlike a Flexible Spending Account (FSA), HSA funds roll over and accumulate year over year if not spent, with the ability to earn tax-free interest on the account. HSA funds may be used to pay for qualified medical expenses at any time without tax liability.

### Who is eligible to open an HSA?

- You must be enrolled on a qualified High Deductible Health Plan (our SDMF health plan!)
- You must have a valid Social Security Number and a primary residence in the U.S.
- You cannot be covered by any other non-qualified health plan, including Medicare Part A or B
- You cannot be covered by TriCare
- You cannot have received medical benefits from Veterans Administration for any non-service-connected disabilities at any time during the previous three months
- You cannot be claimed as a dependent on another person's tax return (unless it's your spouse)

### What are the tax-advantages of opening an HSA?

#### TRIPLE Tax Savings!!

- Contributions are pre-tax
- HSA funds earn interest tax free
- Distributions are tax-free as long as used for qualified medical expenses

### Which expenses are considered IRS-qualified medical expenses?

You can pay for a wide range of IRS-qualified medical expenses with your HSA, including many that aren't typically covered by health insurance plans. This includes deductibles, co-insurance, prescriptions, dental and vision care, and more. For a complete list of IRS-qualified medical expenses, visit [irs.gov](https://www.irs.gov).

### How do I use my HSA funds to pay for IRS-qualified medical expenses?

Dependent on the bank where your HSA account is, you may have access to a debit card or checks or online bill pay. You can also pay for part or all of your qualified medical expenses out of pocket and reimburse yourself later with HSA funds.

### Do I need to submit receipts for my HSA expenses?

No. You do not need to submit any receipts or file any claims. Just be sure to use the money for IRS-qualified medical expenses and save your receipts for tax purposes. It is the responsibility of the account holder to ensure the funds are not misused. If you are ever audited, the IRS may request documentation of the use of your HSA funds.

### **What happens if I use my HSA funds to pay for an expenses that isn't a qualified medical expense?**

If you are under age 65 and realize you have done so in error, you should contact your bank and deposit the misused funds back into your HSA account as a Withdrawal in Error. If you do not, you must report it on your taxes as taxable income and pay a penalty of over 20%.

### **Can an HSA be used to pay for previous year expenses?**

*You can only pay or reimburse yourself for qualified medical expenses incurred **after** your HSA account was established and you were eligible to fund it.*

### **Who can contribute to an HSA?**

Any eligible individual may contribute to an HSA. For an HSA established on behalf of an employee both the employee and the employer may make contributions. Family members may also make contributions on behalf of other family members as long as the other family member is an eligible individual (has a qualified high deductible health plan and is not otherwise insured).

### **How much can I contribute to my HSA?**

<b>Health Coverage Level</b>	<b>2021 Annual Contribution Max</b>	<b>2022 Annual Contribution Max</b>	<b>55+ Catch-Up Contribution</b>
<b>Family</b>	\$7,200	\$7,300	\$1,000
<b>Single</b>	\$3,600	\$3,650	\$1,000

### **What is a "catch-up" contribution?**

Eligible individuals over the age of 55 are allowed to make additional "catch-up" contributions to their HSA Accounts. The catch-up amount is \$1,000 and if you turn 55 during the year you can contribute the full \$1,000.

### **What if I do not use all my funds within the year?**

Unused HSA funds roll over year after year; there is no "use it or lose it" penalty. Funds that are rolled over continue to grow and earnings are tax free. At age 65, you will have the ability to use your HSA funds for any purpose on a taxable basis. This makes funding your HSA a great way to save for retirement.

### **Can I use my HSA to pay for qualified medical expenses for dependents not covered under the health plan?**

Yes, generally HSA funds can cover qualified expense of the account holder, his or her spouse, and tax dependents, regardless of spouse or dependent healthcare coverage. Please consult with a tax-advisor for your specific situation.

### **What if I leave employment with SDMF or am no longer covered under a qualified high-deductible health plan (QHDHP)?**

Your HSA funds are never lost due to changes in employment or health plan. If at some point you are no longer covered by a QHDHP, you still have access to your funds and can use them to pay for qualified medical expenses; however you are no longer eligible to make contributions.

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