

# 2024 HSA RULES

Each year, the IRS examines the contributions, catch up contributions, minimum deductibles, and maximum out of pockets for Health Savings Accounts (or HSAs). This used to be released much later in the year, but over the past few years, they have been releasing this information much earlier. For 2024, the following rules will be in place:

<b>Annual HSA Contribution Maximum</b>	<b>\$4,150</b> for single coverage, <b>\$8,300</b> for family <i>(increase from \$3,850 for single coverage and \$7,750 for family coverage in 2023)</i>
<b>Annual Catch Up Contribution Maximum</b>	<b>\$1,000</b> (for HSA eligible individuals age 55 or over) <i>(no change)</i>
<b>HDHP Minimum Deductible</b>	<b>\$1,600</b> for single coverage, <b>\$3,200</b> for family <i>(increase from \$1,500 for single coverage and \$3,000 for family coverage in 2023)</i>
<b>HDHP Out-of-Pocket Maximum</b>	<b>\$8,050</b> for single coverage, <b>\$16,100</b> for family <i>(increase from \$7,500 for single coverage and \$15,000 for family coverage in 2023)</i>

Should you have questions about your contribution limits, qualifying expenses, or anything else related to your HSA account, it is always a good idea to consult with your tax advisor. You can also check out the IRS's Publication 969, for HSA related questions.

## WHAT IS AN HSA?

- A tax-favored account owned by an individual used to pay current and future qualified medical expenses
- Must be established in conjunction with a 'High Deductible Health Plan' (HDHP)

## WHO IS ELIGIBLE FOR AN HSA?

Any individual that:

- Is covered by a High Deductible Health Plan
- Is not covered by any first dollar health coverage except for preventive care. Also, may not participate in a Flexible Spending Account unless the FSA is a 'Limited Purpose' FSA that only covers dental and vision expenses
- Is not enrolled in Medicare
- Is not claimed as a dependent on someone else's tax return



## **WHAT IS A HIGH DEDUCTIBLE HEALTH PLAN (HDHP)?**

A HDHP is a plan that does not cover first dollar medical expenses (except for preventive care).

For 2024, the deductible under a HDHP must be at least:

- \$1,600 single coverage
- \$3,200 family coverage

For 2024, the maximum out-of-pocket expenses permitted under a HDHP are:

- \$8,050 single coverage
- \$16,100 family coverage

These amounts are indexed annually.

Preventive care generally does not include any service or benefit intended to treat an existing illness, injury, or condition. All covered benefits, except preventive care, must apply to the plan deductible - including prescription drugs.

## **MAXIMUM CONTRIBUTIONS TO AN HSA**

For 2024, the maximum amount that can be contributed to an HSA from all sources is:

- \$4,150 single coverage
- \$8,300 family coverage
- Contributions can be made by the employer and/or the employee
- For individuals age 55 and older, additional 'catch-up' contributions of up to \$1,000 per year are allowed. The full \$1,000 can be contributed if a person's 55th birthday falls during the year.
- Contributions must stop once an individual is enrolled in Medicare or a Medicare Advantage Plan.

## **HSA CONTRIBUTION RULES**

### **Employee**

- Contributions can be made by a salary reduction arrangement through an employer sponsored cafeteria plan or premium only plan (POP).
- Contributions can be made as an after tax contribution and claimed as a deduction on the employee's tax returns (IRS Form 1040 Contributions can be made as late as April 15th of the following year).

### **Employer**

Contributions are excluded from employees' income (special rules apply to sole proprietors, partners, and 2% shareholders).

- HSA contributions made through a Cafeteria Plan or POP are subject to discrimination rules applicable to those plans.
- HSA contributions not made through a Cafeteria Plan or POP are subject to the HSA comparability rules.

## **OTHER HSA ADVANTAGES**

### **Affordability**

Health Insurance premiums may be lower with a High Deductible Health Plan (HDHP) compared to traditional health care plan premiums.



## ***SAVINGS***

HSA money accumulates tax free and can be used for qualified medical expenses.

## ***CONTROL***

HSAs allow individuals to determine:

- How much money to put into the account
- Whether to save for future expenses or pay current expenses
- How to allocate funds to different investments

## ***OWNERSHIP***

This HSA belongs to the individual. Therefore, the HSA remains intact even if the individual:

- Changes jobs
- Changes medical insurance companies or coverage (note: this may limit future contributions)
- Becomes unemployed
- Moves to another state

## ***HSA VESTING***

HSA funds belong to the individual immediately and are not subject to forfeiture. There are no 'use it or lose it' rules for HSAs and unused funds accumulate from year to year.

## ***TAX TREATMENTS***

- HSA contributions are tax deductible and distributions for qualified medical expenses are tax free.
- Earnings accumulate tax free.

## ***DISADVANTAGES OF AN HSA***

Non-Qualified Distributions

- Distributions for non-qualified expenses are taxable income plus subject to a 20% excise tax unless a person is 65 or older.

## ***REPORTING REQUIREMENTS***

**Employee** files IRS Form 8889 with Form 1040 to report contributions and distributions.

**Employer** reports HSA contributions in 'Box 12' on Form W-2.







## HEALTH SAVINGS ACCOUNT SAMPLE ELIGIBLE EXPENSES

### ELIGIBLE EXPENSES

Acupuncture  
Alcoholism / Drug treatment  
Ambulance charges  
Arthritis gloves  
Artificial limbs  
Artificial teeth  
Bandages / Band-Aids  
Blood pressure monitors  
Blood sugar test kits/strips  
Body scans (MRIs)  
Breast Pumps and supplies  
Carpal tunnel wrist support  
Chiropractic fees  
Contact lenses & solutions  
Contraceptives  
Co-pays  
Co-insurance  
Costs for physical or mental illness confinement  
CPAP devices  
Crutches  
Deductible expenses  
Dental implants  
Dental treatment  
Dentures  
Diabetic supplies  
Eyeglasses & eye exam  
First aid kits  
Flu shots  
Hearing aids & batteries  
Incontinence supplies  
Insulin supplies  
Laboratory fees  
Laser eye surgery  
Liquid adhesive for small cuts  
Mastectomy related bras  
Medical alert bracelet  
Medical records charges  
Midwife  
Mileage  
Occlusal guards  
Orthodontic fees  
Orthopedic shoe insert  
Ovulation monitor  
Oxygen  
Physical therapy  
Prescriptions

Pregnancy test kits  
Prosthesis  
Psychiatric care  
Reading glasses  
Rehydration solution (Pedialyte)  
Rubbing alcohol  
Saline solution  
Seeing eye dog  
Shipping & handling for eligible medical expenses  
Smoking cessation programs  
Special communication equipment for the deaf  
Speech therapy  
Sterilization fees  
Sunscreen  
Taxes on medical services & products  
Telephone for hearing impaired  
Thermometer  
Transportation expenses primarily for medical care  
Walkers  
Wheelchair  
X-rays

### DUAL PURPOSE EXPENSES

Requires a doctor's note or Rx w/ a diagnosis stated  
Air purifier  
Compression hose  
Medical alert bracelet  
Dietary supplements  
Health club dues  
Humidifier  
Hypnosis  
Petroleum jelly  
Massage therapy  
Vitamins  
Weight loss programs

### OVER THE COUNTER MEDICINES

*[Requires a valid prescription]*  
Acne treatment  
Antacids

Antibiotic ointments  
Anti-itch creams  
Allergy medicines  
Cold medicines  
Diaper rash cream  
Eye drops  
Laxatives  
Lice treatment  
Motion sickness  
Pain relievers  
Smoking cessation products  
Wart remover treatments

### INELIGIBLE EXPENSES

Cosmetic procedures  
Dental floss  
Deodorant  
Electrolysis  
Eyeglasses/contacts warranty  
Face creams & moisturizers  
Hearing aid warranty  
Hand lotion  
Imported drugs  
Late fees  
Marital counseling  
Maternity clothes  
Mattresses  
Missed appointment fee  
Mouthwash  
Non-prescription sunglasses  
Prepayments  
Sunglass clips  
Teeth whitening  
Toiletries & cosmetics  
Toothbrushes & toothpaste  
Vitamins for general health  
Eligible Premiums  
Health insurance premium while receiving federal or state unemployment COBRA or state continuation premiums  
Qualified long term care insurance (as indexed by calendar year and age)  
Medicare premiums (once HSA owner is 65)