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:

<table>
<thead>
<tr>
<th>Table Title</th>
<th>Amount</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual HSA Contribution Maximum</td>
<td>$4,150 for single coverage, $8,300 for family</td>
<td>Increase from $3,650 for single coverage and $7,750 for family coverage in 2023</td>
</tr>
<tr>
<td>Annual Catch Up Contribution Maximum</td>
<td>$1,000 (for HSA eligible individuals age 55 or over)</td>
<td>No change</td>
</tr>
<tr>
<td>HDHP Minimum Deductible</td>
<td>$1,600 for single coverage, $3,200 for family</td>
<td>Increase from $1,500 for single coverage and $3,000 for family coverage in 2023</td>
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<tr>
<td>HDHP Out-of-Pocket Maximum</td>
<td>$8,050 for single coverage, $16,100 for family</td>
<td>Increase from $7,500 for single coverage and $15,000 for family coverage in 2023</td>
</tr>
</tbody>
</table>

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
- $6,300 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/strip
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 inserts
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

INELEGIBLE 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
Tooth 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)