



2018 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 2018, the following rules will be in place:

Annual HSA Contribution Maximum	\$3,450 for single coverage, \$6,900 for family <i>(increase from \$3,400 for single coverage and \$6,750 for family coverage)</i>
Annual Catch Up Contribution Maximum	\$1,000 (for HSA eligible individuals age 55 or over) <i>(no change from calendar year 2017)</i>
HDHP Minimum Deductible	\$1,350 for single coverage, \$2,700 for family <i>(increase from \$1,300 for single coverage and \$2,600 for family coverage)</i>
HDHP Out-of-Pocket Maximum	\$6,650 for single coverage, \$13,300 for family <i>(increase from \$6,550 for single coverage and \$13,100 for family coverage)</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 2018, the deductible under a HDHP must be at least:

- \$1,350 single coverage
- \$2,700 family coverage

For 2018, the maximum out-of-pocket expenses permitted under a HDHP are:

- \$6,650 single coverage
- \$13,300 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 2018, the maximum amount that can be contributed to an HSA from all sources is:

- \$3,450 single coverage
- \$6,900 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.