Health Savings Account Overview

Health Savings Accounts (HSAs) are tax-advantaged medical savings accounts available to U.S. taxpayers who are enrolled in a High Deductible Health Plans (HDHP). 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 federal tax liability.

If you have a qualified High Deductible Health Plan (HDHP) that meets IRS guidelines – either through your employer or one you've purchased on your own – chances are you can open an HSA.

What is an HSA?

An HSA is a unique tax-advantaged account that you use to pay for IRS-qualified medical expenses as well as deductibles, co-insurance, prescriptions, vision and dental care. Contributions to your HSA can be made with pre-tax dollars, which reduces your taxable income.

HSA accounts can only be used for IRS-qualified payments, refer to IRS website for qualifications - https://www.irs.gov/pub/irs-pdf/p969.pdf.

Who can have an HSA?

To have an HSA you must:

- Be covered by qualified high deductible health insurance plan on the 1st day of the month.
- Not covered under other health insurance.
- Not enrolled in Medicare.
- Not another person's dependent (unless it's your spouse).
- You must have a valid Social Security Number (SSN) and a primary residence in the U.S.
- You do not receive health care benefits under TRICARE.
- You have not received VA medical benefits in the past three months.
- You are not covered by a general purpose health care flexible spending account (FSA) or health reimbursement account (HRA). Alternative plan designs, such as limited-purpose FSA or HRA, might be permitted.

NOTE: This document is intended to be informational in nature. Please contact your employer or tax professional if you have specific questions.

There are some exceptions:

- Other health insurance does not include coverage for the following: accidents, dental care, disability, long-term care, and vision care. Workers' compensation, specified disease, and fixed indemnity coverage is permitted.
- You cannot establish separate accounts for your dependent children, including children who can legally be claimed as a dependent on your tax return.

HSA Tax Benefits and Considerations

- Cash contributions to an HSA are 100% deductible from your federal gross income (within legal limits).
  - If your employer offers a "salary reduction" plan (also known as a "Section 125 plan" or "cafeteria plan"), you (the employee) can make contributions to your HSA on a pre-tax basis (i.e., before income taxes and FICA taxes). If you can do so, you cannot also take the "above-the-line" deduction on your personal income taxes.
  - Any after-tax contributions that you make to your HSA are tax deductible.
- HSA funds earn interest tax free** and when used for IRS-qualified medical expenses are also free from tax. **Interest earned is taxed in NJ.
- Unused funds roll over year to year. There's no "use or lose it" penalty.
- Withdrawals from an HSA for "qualified medical expenses" are free from federal income tax.
- Interest on savings accumulates tax deferred.
- Amounts contributed to your HSA that exceed your maximum annual contribution amount are considered excess contributions and are not deductible. Generally, you must pay a 6% excise tax on excess contributions. See IRS Form 5329 "Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts" to calculate the excise tax. To avoid the 6% excise tax, you must withdraw the excess contributions and any applicable earnings by the due date, including extensions, of your tax return for the year the contributions were made. Consult your tax advisor for more information.

Access to Your Funds

- Your HSA funds are never lost due to changes in employment or health plan. If at some point you are no longer covered by an HDHP, you still have access to your funds and can use them to pay for IRS-qualified medical expenses; however you are simply no longer eligible to make contributions.
- HSAs are owned by the individual, so if you change jobs or health plans, you may keep your HSA at GRB or roll your funds into another HSA at another qualified institution.

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Your eligibility to continue to contribute to the HSA will depend, in part, on the type of health insurance you have.

Retirement Benefits

Unused HSA funds roll over year to 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.

HSA Management Fees

There can be management fees associated with an HSA account. GRB offers both fee and non-fee accounts for our customers.

Tax Reporting

- The IRS requires GRB to issue IRS Form 1099-SA if you took a distribution from your GRB HSA during the previous tax year.
- The IRS requires GRB to send you IRS Form 5498-SA by the end of May if you had any contribution activity in your GRB HSA during the previous tax year. GRB also submits the information on IRS Form 5498-SA to the IRS. You receive this form for your records only.
- Use IRS Form 8889 to report distributions when filing your income taxes.

Using an HSA with a Spouse

- You and your spouse can't have a joint HSA. However, if you're both eligible, you can both have HSAs. You may need to divide the maximum HSA contribution limit between the two of you. If you have questions about allocating contribution limits between spouses, please consult your tax advisor.
- Spouses can, however, be an authorized signer on the account. Additionally, if both spouses are over 55 and want to take advantage of the "catch up" period, they must each have an individual account for their $1,000.00.

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2019 HSA Contribution Limits, Deductibles and Out-of-Pocket Expenses

The following represent the current guidelines for HSA contributions, deductibles and out-of-pocket expenses:

- HSA holders can choose to save up to $3,500 for an individual and $7,000 for a family - and these contributions are 100% tax deductible from gross income.
- Minimum annual deductibles are $1,350 for self-only coverage or $2,700 for family coverage.
- Annual out-of-pocket expenses (deductibles, copayments, and other amounts, but not premiums) cannot exceed $6,750 for self-only coverage and $13,500 for family coverage.

*Rules	Tax Year 2019
HSA Annual Contribution Levels	Individual coverage $3,500 Family Coverage - $7,000
HSA Catch-up Contributions	$1,000 for an accountholder age 55 or older
Minimum Deductible	Individual coverage $1,350 Family Coverage - $2,700
Maximum Out-of-Pocket Expenses	Individual coverage $6,750 Family Coverage - $13,500

**All tax references are at the federal level. State taxes may vary. Consult a tax advisor with questions.*

Contact your insurance provider if you have questions as to whether your health coverage is HSA-qualified. Other HSA eligibility criteria may apply. Your personal contribution limit may be lower than the Internal Code maximums. Individuals are responsible for monitoring their contribution limits.

Please consult your tax advisor with questions about how the limits may apply to your situation.

For more detailed information on HSA plans and taxes, visit the U.S. Department of Treasury website at www.ustreas.gov or talk with your tax advisor.

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GRB HSA Resources

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