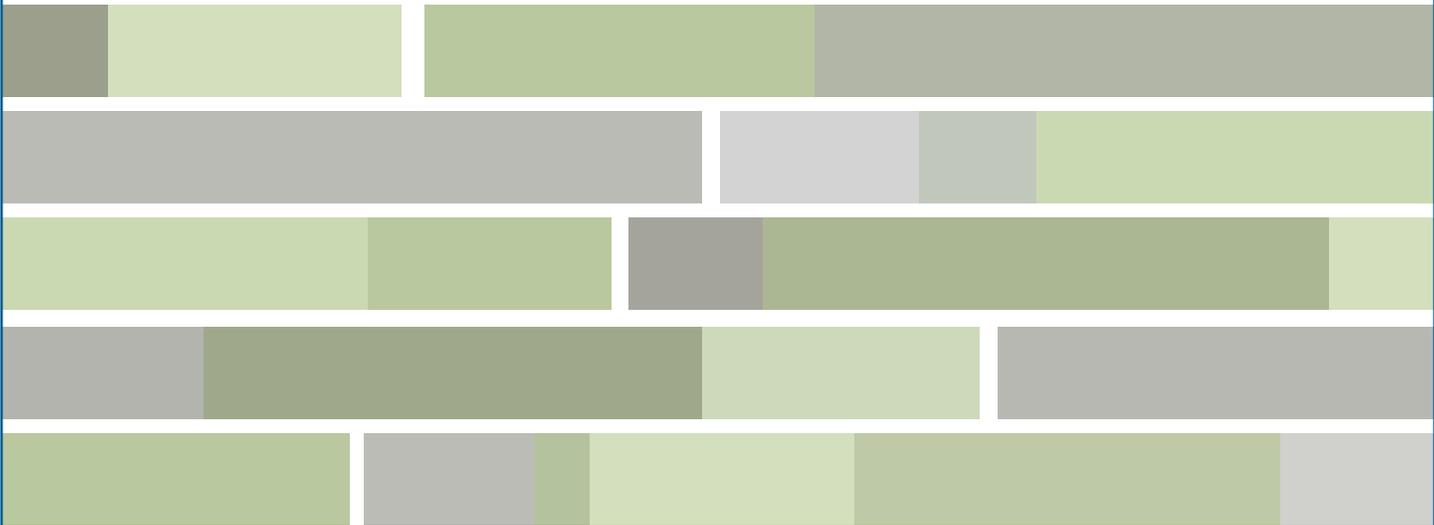


# Health Savings Account (HSA)

## KEY FEATURES FOR 2018



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Overview	
<b>Account Description</b>	Tax-exempt trust or custodial account established by an eligible individual to pay for qualified medical expenses
<b>Important Reminders for 2018</b>	<b>New</b> annual limits on contributions apply
<b>Potential Tax Benefits for Employees</b>	<ul style="list-style-type: none"> <li>• Employee contributions are either tax-deductible or pre-tax (if made by salary reduction)</li> <li>• Employer contributions are excluded from gross income and are generally not subject to employment taxes</li> <li>• Earnings on amounts in an HSA are not includable in gross income while held in the HSA</li> <li>• Tax-free distributions to pay for qualified medical expenses</li> </ul>
Employee Eligibility	
<b>Who May Participate</b>	<p>An individual is eligible to establish an HSA if he or she:</p> <ul style="list-style-type: none"> <li>• Is covered under a high deductible health plan (HDHP)</li> <li>• Is not covered by any other health plan that is not an HDHP (including coverage in a general purpose health FSA solely as a result of unused carryover amounts from the prior year), except for certain limited types of coverage</li> <li>• Is not enrolled in Medicare</li> <li>• May not be claimed as a dependent on another person's income tax return</li> </ul>
<b>HDHP (High Deductible Health Plan) Coverage Required</b>  <b>Note:</b> A health plan that provides certain preventive health services without a deductible, as required under Health Care Reform, may still qualify as an HDHP	<p>Yes. For 2018, the minimum annual deductible is <b>\$1,350</b> for self-only coverage or <b>\$2,700</b> for family coverage. The maximum deductible and other out-of-pocket expenses (excluding premiums) is <b>\$6,650</b> for self-only coverage or <b>\$13,300</b> for family coverage.<sup>+</sup></p> <p><sup>+</sup> Non-grandfathered HDHPs must also apply the self-only cost-sharing limit for coverage of essential health benefits provided in-network (<b>\$7,350</b> in 2018) to <b>each individual</b> covered under the plan, even if this amount is below the family deductible limit.</p>
Contributions	
<b>Who May Contribute</b>	The employee, the employer, or both may contribute (family members or any other person may also contribute)
<b>Pre-Tax Employee Contribution Allowed</b>	Yes, contributions can be made through employee salary reductions under a cafeteria plan
<b>Limit on Contributions</b>	Yes. For 2018, the maximum contribution is <b>\$3,450</b> for self-only coverage) or <b>\$6,900</b> for family coverage. The limit is increased by \$1,000 for eligible individuals age 55 or older at the end of the tax year.
<b>Employer Participation</b>	Employer contributions made through a cafeteria plan are subject to the <a href="#">Section 125</a> nondiscrimination requirements. All other employer contributions are subject to the "comparability rules," meaning that the employer must make comparable contributions to all comparable participating employees' HSAs.

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Distributions	
<b>Distributions Allowed</b>	<p>Distributions used exclusively to pay for qualified medical expenses of the employee and his or her spouse and dependents are tax-free.</p> <p>Any distribution amount not used exclusively to pay for qualified medical expenses is included in the employee's gross income and may be subject to an additional 20% tax.</p> <p><b>Note:</b> Employees who cover dependents to age 26 under an HDHP may <b>not use HSA funds</b> for reimbursement on a tax-free basis for an adult child's medical expenses, <b>unless the adult child <a href="#">qualifies as a tax dependent</a></b> of the employee.</p>
<b>Timing of Distributions</b>	<p>An eligible employee may receive distributions from an HSA at any time for qualified medical expenses not reimbursed by the HDHP; however, expenses incurred before an HSA is established are not considered qualified medical expenses</p>
<b>Qualified Medical Expenses</b>	<p>Generally, qualified medical expenses are those expenses paid for "medical care" as defined in IRC <a href="#">Section 213(d)</a>.</p> <p>Health insurance premiums are generally not considered qualified medical expenses for HSA purposes, unless the premiums are for:</p> <ul style="list-style-type: none"><li>• Qualified long-term care insurance (premiums are subject to limits based on age and are adjusted annually)</li><li>• Health care continuation coverage required by federal law (e.g., COBRA)</li><li>• Health care coverage while an individual is receiving unemployment</li><li>• Medicare and other health care coverage if the employee is 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)</li></ul>
Other Issues	
<b>Balance and Carryover</b>	<p>Amounts remaining in an HSA at the end of the year are generally carried over to the next year</p>
<b>Account Subject to COBRA</b>	<p>No</p>
<b>Portability</b>	<p>Yes, the employee is the owner of the account</p>

### For More Information

Please review IRS [Publication 969](#) for a detailed explanation of HSAs, as well as IRS [Publication 15-B](#) for additional information regarding the tax treatment of these types of arrangements.

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