

# HEALTH SAVINGS ACCOUNTS

## Participants in the City of Leander High Deductible Health Plan (HDHP) may be eligible to open an HSA at A+ Federal Credit Union.

An HSA is a tax-advantaged personal savings account that works in conjunction with a HDHP. Participants can pay for qualified medical expenses with tax-free dollars from their HSA. There is no 'use-it-or-lose-it' requirement, the account is portable and the balance plus earnings (from interest and/or investments) carries over year after year, all tax-free. If HSA monies are used for nonqualified medical expenses prior to age 65, a 20% penalty plus ordinary income tax must be paid to the IRS.

### Eligibility Requirements:

- In order to open an HSA, you **MUST** meet the following requirements:
- Covered by City of Leander's HDHP Plan
- NOT covered by another health insurance plan that is not a qualified HDHP including:
  - A spouse's medical plan
  - Medicare
  - Tricare
  - Note: Does not apply to specific injury, accident, disability, dental care, vision care and/or long term care insurance plans.
- NOT participating in an employer-sponsored Flexible Spending Account (unless limited use)
- NOT claimed as a dependent on someone else's tax return
- Your spouse must also NOT participate in a Healthcare Flexible Spending Account. The Dependent Care FSA will not disqualify you from opening an HSA.

### HSAs allow:

- Tax-free contributions by employer, employee or others
- Tax-free growth of interest or investment earnings
- Tax-free distributions of principal and interest to pay for qualified medical expenses
- Accumulation of unused funds and portability between employers. No "Use it or Lose it" rules. Portable from employer to employer and across state lines.
- Flexible use – You choose whether or when to use the account for health expenses, now or after employment.

## In addition to paying for current expenses, funds can be used to pay for:

- COBRA premiums
- Long-term Care premiums
- Out-of-Pocket expenses for Medicare
- Medical insurance during unemployment
- Services not covered under a future health plan

If you are covered under the qualified HDHP and meet the eligibility requirements you may open an HSA. HSA plans are intended to be used to pay for healthcare for the individual and covered dependents. Distributions from an HSA to pay for qualified medical expenses are not taxable.

### Qualified health care expenses are expenses which are:

- Incurred for the individual, his/her spouse or a tax dependent;
- Eligible as defined in Internal Revenue Code Section 213(d) – generally defined as expenses for the diagnosis, cure, mitigation, treatment or prevention of disease;
- Not reimbursed by insurance or another health plan; and
- Not deducted on the individual's tax return.

Medical expenses that may be reimbursed through a HSA under IRS Code Section 213 include (but are not limited to) the following:

- Deductible payments;
- Coinsurance payments;
- Dental care not provided through another health insurance plan;
- Prescription drugs;
- Emergency ambulance service;
- Chiropractic services;
- Eyeglasses and/or contact lenses;
- Hearing devices;
- Psychiatric care;
- Psychologists' fees;
- Acupuncture
- Over the Counter Drugs can be reimbursed from the HSA as long as they meet the criteria set out in Internal Revenue Code Section 213(d) and you have a prescription on file for the medication.



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## Contributing to your HSA

When you participate in an HSA, you set aside money to pay for eligible out-of-pocket expenses. Money can be contributed to your HSA by you and the City of Leander contribution. The IRS calendar year (January 1- December 31) contribution maximums (including employer contributions) are:

### Maximum 2022 (calendar year) Contribution:

- \$3,650 for Employee Only
- \$7,300 for Employee + Spouse, Employee + Child(ren), Employee + Family
- \$1,000 Catch Up Contribution for Employees age 55 and up

### Maximum 2023 (calendar year) Contribution:

- \$3,850 for Employee Only
- \$7,750 for Employee + Spouse, Employee + Child(ren), Employee + Family
- \$1,000 Catch Up Contribution for Employees age 55 and up

If you are age 55 or older, you can make an additional contribution amount of \$1,000. The HSA cannot receive contributions after the individual has enrolled in Medicare. For the most current HSA contribution information, please go to the U.S. Dept. of Treasury web site at <http://www.ustreas.gov/offices/public-affairs/hsa>.

### Note for Newly Eligible and Partial Year Participants:

If you become newly eligible to contribute to an HSA during the year, you may contribute the maximum contribution for the year (without incurring taxes or a penalty on the amount of the contribution) provided you continue to remain eligible for a 13 month period beginning December 1st of the year in which you become eligible and ending on December 31st of the following year.

If you do not remain eligible for a 13 month period shown above, your excess contributions will be subject to federal income tax and may be subject to the 6% excise tax. Please contact your tax advisor for assistance determining if your partial year contributions will be subject to taxes and penalties.

As a general rule, to meet IRS eligibility, stay on the HDHP/HSA for 2 open enrollment cycles.

## Using your HSA

You will set up an account at A+ Federal Credit Union in Leander, which will include a debit card to use for eligible purchases. With an HSA, your contributions, earnings and eligible withdrawals are all tax-free. As long as your withdrawals are used to pay for qualified health care expenses, you won't pay taxes. Contributions that the City of Leander makes to your HSA are yours. There are no vesting requirements or forfeiture provisions. Unlike flexible spending accounts, HSAs do not have a 'use it or lose it' requirement. Your account balance rolls over from year to year and will earn interest tax-free.

## Tax Filing

You will receive a 1099SA and a 5498SA from your HSA Fund Manager Institution and will be required to file Form 8889 with your annual tax return. Please see your tax advisor if you have any questions.

## Employer Contributions

City of Leander contributes \$1,000 to Employee's HSA for current employees. For individuals hired after October 1st, the \$1,000 is prorated based upon the remaining months of the plan year. This amount does count towards your maximum contribution (calendar year).

HSA CONTRIBUTIONS			
	EMPLOYER CONTRIBUTION	EMPLOYEE MAX CONTRIBUTION	COMBINED MAX
INDIVIDUAL <55	\$1,000	\$2,650	\$3,650
INDIVIDUAL >55	\$1,000	\$3,650*	\$4,650
FAMILY <55	\$1,000	\$6,300	\$7,300
FAMILY >55	\$1,000	\$7,300*	\$8,300

*\*Includes the \$1,000 Catch Up Contribution*

You are responsible for the eligibility of all items and keeping receipts for tax purposes.

Not all expenses that are qualified health care expenses under the HSA count towards the satisfaction of the calendar year deductible.



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