

How Do I Know What Qualifies as a High Deductible Health Plan?

The government has outlined certain dollar limits in an insurance plan to determine if it is a High Deductible Health Plan. Check with your insurance provider to see if your health plan is HSA-compatible.

| HSA-Compatible HDHP Amounts | | |
|---|------------|-------------|
| | Self-only | Family |
| Minimum Annual Deductible | | |
| 2024 | \$1,600.00 | \$3,200.00 |
| Maximum out-of-pocket expenses * | | |
| 2024 | \$8,050.00 | \$16,100.00 |

Note: These limits are revised each year to reflect cost-of-living increases.

* Deductibles, co-payments and other amounts, but not premiums.

How Much Can I Contribute to a Health Savings Account Per Year?

If you have individual or family coverage under a High Deductible Health Plan, the government chart below indicates contribution limits.

| HSA Annual Contribution Limits | | |
|--------------------------------|------------|------------|
| | Self-only | Family |
| 2024 | \$4,150.00 | \$8,300.00 |

Note: These limits are revised each year to reflect cost-of-living increases.

If I Am 55 or Older, Do Catch-Up Contributions Apply As They Do With IRAs?

Yes, you can take advantage of additional contributions as follows:

| Catch-up Contribution Limits Age 55 and older | | |
|--|------------|------------|
| | Self-only | Family |
| 2024 | \$1,000.00 | \$1,000.00 |

HSA Health Savings Account



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This brochure is for general information only and is not intended to provide specific advice or recommendations for any individual. It is important to note that the IRS may provide more guidance with respect to new rules and therefore the information provided is subject to some modification. We suggest that you consult your attorney, accountant, financial or tax advisor with regard to your personal situation.

Deductible contributions and
tax-free distributions.

What is a Health Savings Account?

A Health Savings Account is a special savings plan authorized by the federal government for consumers who qualify to pay so-called first dollar medical expenses (i.e. the annual deductible on your health insurance plan). This account is similar to an IRA account, but it is designed specifically for covering qualified medical expenses for the person who establishes the account and his or her dependents.

What are Qualified Medical Expenses?

Health Savings Accounts retain their tax-free status if they are used for the following expenses:

- Diagnosis, cure, mitigation, treatment, or prevention of disease and treatments affecting any part or function of the body. They include the costs of equipment, supplies and diagnostic devices needed for these purposes. They also include dental expenses. (Some examples: body scan, crutches, hearing aids, medicines, dental treatment and psychologist)
- Insurance premiums. You cannot treat insurance premiums as qualified medical expenses unless the premiums are for:
 1. Long-term care insurance.
 2. Health care continuation coverage (such as coverage under COBRA).
 3. Health care coverage while receiving unemployment compensation under federal or state law.
 4. Medicare and other health care coverage if you were 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap).

IRS Publication 502, **Medical and Dental Expenses**, contains a partial list of qualified medical expenses.

NOTE: Violations – nonqualified uses of Health Savings Account funds are subject to taxation and



a 20% penalty. The 20% penalty does not apply if the Health Savings Account holder is age 65 or older, is permanently disabled or dies.

What are the Benefits of a Health Savings Account?

Qualified individuals enjoy significant tax benefits related to paying qualified medical expenses.

- You can claim a tax deduction for contributions you, or someone other than your employer, make to your HSA even if you do not itemize your deductions on Form 1040.
- Contributions to your HSA made by your employer (including contributions made through a cafeteria plan) may be excluded from your gross income.
- The contributions remain in your account from year to year until you use them.
- The interest or other earnings on the assets in the account are tax-free.
- Distributions may be tax-free if you pay qualified medical expenses.
- An HSA is “portable” so it stays with you if you change employers or leave the work force.

Who is Eligible?

To be an eligible individual and qualify for an HSA, you must meet the following requirements.

- You must be covered under a high deductible health plan (HDHP) on the first day of the month.
- You have no other health coverage except permitted coverage.
- You are not enrolled in Medicare.
- You cannot be claimed as a dependent on another person’s tax return.
- Under the last-month rule, you are considered to be an eligible individual for the entire year if you are an eligible individual on the first day of the last month of your tax year (December 1 for most taxpayers).

Are Self-Employed Individuals Eligible for a Health Savings Account?

Businesses structured as sole proprietorships and the self-employed are excellent candidates for Health Savings Accounts.

- A plan that includes a Health Savings Account can save money with the lower premiums you have in a High Deductible Health Plan.
- This strategy also protects the employer against the possibility of catastrophic healthcare expenses.

How Do I Show My Participation in a Health Savings Plan on My Tax Return?

- If you have a Health Savings Account, you must report all contributions and distributions on your individual tax return.
- Your W-2 form will show employer contributions (if any) to your Health Savings Account which is also shown on the employer’s business tax return.
- The IRS receives a report of all contributions and distributions you make from your custodian or trustee where the Health Savings Account is held.