# FREQUENTLY ASKED QUESTIONS
# HEALTH SAVINGS ACCOUNTS

**What is an HSA?**
A health savings account (HSA) is a tax-favored savings account created for the purpose of paying medical expenses.

- **Tax-deductible**
  Contributions to the HSA are 100% deductible (up to the legal limit) — just like an IRA.
- **Tax-free**
  Make tax-free withdrawals to pay qualified medical expenses.
- **Tax-deferred**
  Interest earnings accumulate tax-deferred and if used to pay qualified medical expenses are tax-free.
- **Annual balance carryover**
  Unlike a flexible spending account (FSA), unused money in your HSA isn't forfeited at the end of the year; it continues to grow, tax-deferred.

**How does the health care reform law affect my coverage and HSA?**

- **Qualified Medical Expenses:** Over-the-counter medications are no longer covered by your HSA as a qualified medical expense. The law removes over-the-counter drugs not prescribed by a physician from being paid from an HSA, FSA, or HRA on a tax-free basis.
- **Non-qualified expense penalty:** Under the law, if you use your HSA funds for non-qualified expenses, you will face a higher penalty. The tax penalty for non-qualified HSA distributions is 20%.

**What are the limits for an HSA?**

| HSA Limits | Minimum Deductible | | Maximum Out-of-Pocket | | Standard Contribution Limit | | Additional Contribution Limit for 55+ |
|---|---|---|---|---|---|---|---|
| **Tax Year** | **Single** | **Family** | **Single** | **Family** | **Single** | **Family** | **Single or Family** |
| 2018 | $1,350 | $2,700 | $6,650 | $13,300 | $3,450 | $6,900 | $1,000 |
| 2019 | $1,350 | $2,700 | $6,750 | $13,500 | $3,500 | $7,000 | $1,000 |

**Who can contribute to an HSA?**
Once the eligibility requirements are met, anyone can contribute to an HSA on an individual's behalf (the individual, the employer, their family, etc.) as long as they do not exceed the total annual maximum.

**How does an HSA Plan Work?**
An HSA works in conjunction with high deductible health insurance. Your HSA dollars can be used to help pay the health insurance deductible and any qualified medical expenses, including those not covered by the health insurance, like dental and vision care. Any funds you withdraw for non-qualified medical expenses will be taxed at your income tax rate, plus 20% tax penalty.

**Who can have an HSA?**
You must be in a qualified plan:

1. Covered by high deductible health insurance
2. Not covered under other health insurance
3. Not enrolled in Medicare
4. Not another person's dependent

**What is a High Deductible Health Plan (HDHP)?**

- For those with individual coverage:
  2018: A health plan with a minimum annual deductible of $1,350 and annual out-of-pocket expenses not to exceed $6,650 for the plan year.
  2019: A health plan with a minimum annual deductible of $1,350 and annual out-of-pocket expenses not to exceed $6,750 for the plan year.
- For those with family coverage:
  2018: A health plan with a minimum annual deductible of $2,700 and annual out-of-pocket expenses not to exceed $13,300 for the plan year.
  2019: A health plan with a minimum annual deductible of $2,700 and annual out-of-pocket expenses not to exceed $13,500 for the plan year.

**Do I have an HSA qualified health insurance plan?**
The quickest way to find out if your health insurance plan is HSA qualified is to ask your health insurance company. If they say 'yes,' then you know your health plan qualifies you to open an HSA. If your employer provides your health insurance, ask your employer. If they do not know, they should ask the insurer on your behalf.

**Can I be covered if I have a health plan that is not a High Deductible Health Plan?**
Only; in the following circumstances:

- Workman's compensation;
- Insurance for a specified disease or illness
- An insurance paying a fixed amount for hospitalization, accident insurance, disability insurance, dental care, vision care of long term care.

**Can my HSA be used for dependents not covered by the health insurance?**
Generally, yes. Qualified medical expenses include unreimbursed medical expenses of the accountholder, his or her spouse, or dependents.

**What about non medical withdrawals?**
Nonmedical withdrawals from your health savings account are taxable income and subject to a 20% tax state penalty.

***Exceptions***
This tax penalty does not apply if the withdrawal is made after the date you:

1. Attain age 65;
2. Become totally and permanently disabled; or
3. Die.

**Can my HSA be used to pay Premiums?**
No, this would be a nonmedical withdrawal, subject to taxes and penalty.

***Exceptions***
No penalty or taxes will apply if the money is withdrawn to pay premiums for:

1. Qualified long-term care insurance; or
2. Health insurance while you are receiving federal or state unemployment compensation; or
3. Continuation of coverage plans, like COBRA, required under any federal law; or
4. Medicare premiums.

**What are the tax benefits?**
There are three major tax advantages to your HSA.

1. Cash contributions to an HSA are 100% deductible from your federal gross income (within legal limits).
2. Interest earnings accumulate tax-deferred.
3. Withdrawals from an HSA for "qualified medical expenses" are free from federal income tax.

**What expenses are qualified for reimbursement from my HSA?**
You are eligible to receive tax-free reimbursement for qualified health expenses not covered by your insurance as defined by Section 213(d) of the Tax Code. A list of these expenses is available on the IRS Web Site, www.irs.gov. HSA distributions used for any purpose other than the qualified medical expenses listed will be taxable and the appropriate tax rules will apply.

However, some expenses do not qualify. A few examples are:

- Surgery for purely cosmetic reasons
- Health club dues
- Maternity clothes
- Toothpaste, toiletries, and cosmetics

HSA money cannot generally be used to pay your insurance premiums.

**Are the Park Bank account fees that are charged to my account considered to be qualified expenses?**
Yes, the IRS considers account, debit card and check fees to be eligible expenses to be paid from an HSA.

**Can HSA money be rolled into an IRA?**
No, it can only be rolled over into another qualified HSA without incurring tax consequences

**What about "catch up" contribution for those 55 and older?**
Individuals aged 55 and over may contribute an additional $1,000 above the maximum for each tax year.

**Is it true that individuals 65 or older can take out funds from their HSA for any reason without penalty**?
If an individual is age 65 or older, regardless of whether the individual has been enrolled in Medicare, there is no penalty to withdraw funds from the HSA. As always, normal income taxes will apply if the distribution is not used for unreimbursed medical expenses (expenses not covered by the medical plan).

**Designating a Beneficiary**
When you set up an HSA, it is important that you also select a beneficiary. This will ensure that your HSA money is immediately available to your beneficiary to use for qualified medical expenses tax free upon your death. You may select more than one beneficiary and assign the portion of your account that would go to each.

**What if you don't select a beneficiary?**
If you do not specify a beneficiary at all, your HSA funds will go to your legal spouse, if you have one. If you are not married at the time of your death, the funds will go to your estate and may not be immediately available for qualified family medical expenses. The funds may also be subject to taxation.

**What happens to my HSA when I die?**
Your HSA will be treated as your surviving spouse's HSA, but only if your spouse is the named beneficiary. If there is no surviving spouse or your spouse is not the beneficiary, then the savings account will cease to be an HSA and will be included in the federal gross income of your estate or named beneficiary.

**Who will be the "bookkeeper" for my HSA?**
It is your responsibility to keep track of your deposits and expenditures and keep all of your receipts. If you run out of HSA funds, you cannot pay for any further medical expenses until more funds are deposited into your account. If you have already deposited the maximum amount in your HSA for the year, you will need to wait until next year to make additional contributions.

**Things to keep in mind when paying your medical bills.**
If paying a bill with your Debit Visa Card, with online bill payment or by check, you must have sufficient funds available in your account to cover the cost. You can wait until your balance grows and reimburse yourself, for costs you paid for out of pocket. Remember to save your receipts.

**Tips for managing your HSA.**

- Keep all medical receipts
- Use the an expense tracker worksheet or a  money management software
- Log in regularly to www.parkbankonline.com to pay bills, check your balance, view account activity and check your monthly statement
- Retain all tax documents you receive from Park Bank for filing your tax returns and maintaining your records

**Can I use my HSA to pay for medical expenses incurred before I set up my account?**
No. You cannot reimburse qualified medical expenses incurred before the date your account is established.

**Will my bank notify me if I've exceeded my allowable contribution amount?**
No, it is your sole responsibility to keep track of the amounts deposited and spent from your account, just like a normal savings or checking account.

**Can I borrow against the money in my HSA?**
No. You may not borrow against or pledge the funds in your HSA. For more information on prohibited activities, see Section 4975 of the Internal Revenue Code.

**What happens to the money in my HSA at the end of each calendar year?**
The money in your HSA belongs to you. HSA funds rollover from year to year, earning interest tax free and continue to accumulate for future years. These funds may be used to pay for future medical expenses tax free or can be used to supplement income at age 65 tax deferred.

**Can I use the money in my HSA right away?**
Yes. You can use your HSA money for qualified medical expenses as soon as you have money in your HSA -- assuming you are enrolled in an HSA-compatible health plan.

**What happens to my money if I cancel or lose my HSA-compatible healthcare coverage?**
You own the money in your HSA, so any money deposited into your HSA will remain in your account and automatically roll over from one year to the next.  You may continue to use those funds for qualified medical expenses if you are no longer enrolled in an HSA-compatible health plan; however, you no longer will be able to make contributions to your account. If you regain an HSA-compatible health plan at a later date, you can resume making contributions to your HSA.

**Can I use my HSA to pay for medical serviced provided in other countries?**
Yes

**What if I make excess HSA contributions?**
Contributions by an individual are not deductible to the extent they exceed the maximum limits.  Excess contributions by an employer generate taxable income to the employee.  In addition, a 6% excise tax is imposed on the excess funds. The excise tax and any net income attributable to excess contributions are avoided if the excess contributions are paid to the HSA owner prior to federal income tax deadline for the year at issue.

**What is the deadline for making my HSA contribution?**
You have until April 15th to establish your HSA and make your contribution for the previous year, as long as you had your HSA-qualified health insurance in place by December 1.  However, keep in mind that you can only reimburse yourself for expenses that incurred after the HSA account was established.  So it is in your best interest to establish your HSA as soon as possible, even if you only put $25 in to start.

**Is a one-time transfer from IRAs to HSAs allowed**?
Yes, but the contribution must be made in a direct trustee-to-trustee transfer. The IRA transfer will not be included in income or subject to the early withdrawal additional tax. The transfer is limited to the maximum HSA contribution for the year, and the amount contributed is not allowed as a deduction. The amount transferred may not exceed your maximum allowable annual HSA contribution.

Generally, only one transfer may be made during the lifetime of an individual. If an individual electing the one-time transfer does not remain an eligible individual for the 12 months following the month of the contribution, the transferred amount is included in income and subject to a 10 percent additional tax. Unlike regular contributions, the rollover from IRA can only be credited as a contribution in the calendar year it is made–in other words, you do not have until tax day the following year and must complete the transfer no later than December 31st for that year.

**Are there sources where I can get more details regarding HSAs?**
Yes, the IRS has online resources available:

- http://www.irs.gov/