

## **2017 Notes for Health Savings Accounts**

- In most circumstances, qualified HSA withdrawals for dependents are limited to age 23, even though the HSA qualified health plan will cover eligible dependents for a longer period.
  - The cost of an over-the-counter medicine or drug cannot be reimbursed from HSA accounts unless a prescription is obtained. The change does not affect insulin, even if purchased without a prescription, or other health care expenses such as medical devices, eye glasses, contact lenses, co-pays and deductibles.
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- To be eligible for a Health Savings Account (HSA), an individual:
    - ✓ Must enroll in a “qualified high deductible health plan”
    - ✓ May not be covered by other health insurance
    - ✓ Must not be enrolled in Medicare
    - ✓ Can’t be claimed as a dependent on someone else’s tax return (no separate HSA for children)
  - The HSA operates separately from the qualified high deductible health plan.
  - The employer and/or employee may contribute to the account.
  - Contribution limits for 2017; \$3,400 single and \$6,750 family; plus a \$1,000 annual catch up contribution for eligible individuals over age 55.
  - Employees may contribute to their account until age 65 and enroll in Medicare.
  - Works Similar to an IRA:
    - ✓ Contributions to the account are tax deductible
    - ✓ Interest on an HSA account grows tax-free
    - ✓ Withdrawals are tax free to pay for qualified medical expenses
    - ✓ Non-qualified withdrawals subject to tax and 20% penalty
    - ✓ HSA’s are portable and owned by the employee
    - ✓ Unspent balances rollover and accumulate for lifetime
    - ✓ After age 65 and on Medicare, withdrawals may be made tax-free and penalty-free for qualified health expenses and penalty-free for non-qualified withdrawals
  - Employees are responsible for setting up their own HSA account, although the employer may choose a bank for contributions.
  - Employees may contribute to the account on their own, or through payroll deduction.

*Highlights only; please refer to the Treasury website at [www.treasury.gov](http://www.treasury.gov) for full details.*

*An individual’s financial advisor and/or tax advisor should address detailed questions regarding an HSA. Combined Insurance Services, Inc. does not provide financial advice or make HSA recommendations.*