



# Frequently Asked *Questions*

The following answers to common questions will help make your HSA experience easy.

## **Q. What is a health savings account (HSA)?**

A. An HSA is a tax-advantaged personal savings account that can be used to pay for medical, dental, vision and other qualified expenses now or later in life. To contribute to an HSA you must be enrolled in a qualified high-deductible health plan (HDHP) and your contributions are limited annually. The funds can even be invested, making it a great addition to your retirement portfolio.

## **Q. Why should I participate in an HSA?**

A. Funds contributed to an HSA are triple-tax-advantaged which helps you save more so you can use your money for what you need the most.

### **1. Money goes in tax-free.**

Most employers offer a payroll deduction through a Section 125 Cafeteria Plan, allowing you to make contributions to your HSA on a pre-tax basis. The contribution is deposited into your HSA prior to taxes being applied to your paycheck, making your savings immediate. You can also contribute to your HSA post-tax and recognize the same tax savings by claiming the deduction when filing your annual taxes.

### **2. Money comes out tax-free.**

Eligible healthcare purchases can be made tax-free when you use your HSA. Purchases can be made directly from your account, either by using your Benefits Card debit card, ACH, or online bill-pay – or, you can pay out-of-pocket and then reimburse yourself from your HSA.

### **3. Earn interest, tax-free.**

The interest on HSA funds grows on a tax-free basis. And, unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible medical expenses.

## **Q. How can I use my HSA funds?**

A. You may use your HSA funds to pay for health plan co-pays, prescriptions, deductibles, co-insurance, vision, dental care, and certain medical supplies. The IRS provides specific guidance regarding eligible expenses. (See IRS Publication 502).

## **Q. Am I eligible to open an HSA?**

A. In order to open and contribute to an HSA, you must:

- Be enrolled in a qualified HDHP
- Not be covered by a secondary health insurance plan that is not a HDHP (certain exceptions apply for various types of different permitted coverages)
- Not enrolled in Medicare or TRICARE AND
- Not another person's tax dependent.

## **Q. What is a qualified high-deductible health plan?**

A. A qualified high-deductible health plan (HDHP) is a health insurance plan with deductible amounts that are higher than a traditional insurance plan. The Internal Revenue Service (IRS) defines requirements for an HSA-qualified HDHP. Find the current requirements at [www.ebcflex.com/PlanLimits](http://www.ebcflex.com/PlanLimits).

## **Q. How do I contribute money to my HSA?**

A. Pre-tax payroll deduction is provided by your employer. Your annual contribution is divided into equal amounts and deducted from your payroll before taxes.

You may also contribute directly, from your personal checking account. Using this method, you should deduct accordingly on your personal income tax return.

## **Q. How much can I contribute to my HSA?**

A. Contributions can be made by the eligible employee, the employer, or any other individual. Annual contributions from all sources may not exceed the contribution limit set by the IRS. Visit [www.ebcflex.com/PlanLimits](http://www.ebcflex.com/PlanLimits) for the current year's limits.

## **Q. Can I change my contributions to my HSA during the year?**

A. Yes. Unlike other pre-tax benefit accounts you are able to adjust your contributions throughout the calendar year. Be sure that the total amount of contributions made in a year is within the **annual contribution** limits mentioned in the previous question.

You can make changes to your contributions by providing the applicable notice of change provided by your employer.

## **Q. Do I have to spend all my contributions by the end of the plan year?**

A. No. HSA money is yours to keep. Unlike a flexible spending account (FSA), unused money in your HSA is not forfeited at the end of the year; it continues to grow, tax-deferred!

**Q. What happens after I enroll?**

A. Once your HSA has been established, you will be emailed and mailed welcome communications. Be sure to review the important bank disclosure information in those communications.

Once your plan starts, visit our website at [www.ebcflex.com](http://www.ebcflex.com) and log in to your online account to see your account information and access materials to help you make the most of your plan.

**Q. How do I know when my HSA is active?**

A. Once your HSA has been established, you will receive a welcome notification email with a link to helpful information for using your account.

**Q. Why should I be aware of my HSA Establishment (Account Funding) Date?**

A. Expenses that you incurred before the HSA establishment (funded) date are **not** HSA-eligible expenses. The HSA establishment date is the later of:

- The plan's effective date
- The date your HSA is funded

**Q. What is the disclosure link I received?**

A. Every bank is required by federal and state laws to provide specific information to its account holders. The disclosure link you received provides information to you about your account with the bank. To view this information, click on the link in your welcome notification email.

**Q. Why did I receive an email requesting more information to establish my identity?**

A. **IT IS IMPORTANT THAT YOU TAKE IMMEDIATE ACTION AND PROVIDE THE INFORMATION REQUESTED.**

As part of the **Customer Identification Process (CIP)**, you will receive this request so that your identity can be confirmed. Establishing your identity protects the security of your account. Your account cannot be opened until this information is provided.

**Q. What happens if my employment is terminated?**

A. **The HSA is your bank account and remains your account even if you change employment.**

Your HSA belongs to you, not your employer, just like your personal checking account. If you terminate employment, your HSA will remain with Employee Benefits Corporation and transition to an individual account, instead of an employer-sponsored account. We will continue to be your source of information regarding your HSA.

Upon termination of employment, you will receive a **NEW** Benefits Card for your HSA and a welcome email with additional information.

**Q. When can I use my HSA funds?**

A. You can withdraw funds from your HSA at any time. A withdrawal from your HSA is known as a distribution. Distributions from your HSA are used to pay for qualified medical expenses.

**Q. Who's qualified medical expenses can I pay using my HSA funds?**

A. Distributions from your HSA can be used to pay for qualified medical expenses incurred by you, your spouse, or a tax dependent.

**Q. Can I use my HSA funds to pay for my Medicare enrolled spouse's medical expenses?**

A. Yes, you are able to use your HSA funds to reimburse your spouse's Medicare expenses.

**Q. How do I access the funds in my HSA?**

A. Your HSA is similar to a checking account. Payments can be made using your Benefits Card, ACH, or online bill pay. You are responsible for ensuring the money is spent on qualified purchases only and maintaining records to withstand IRS scrutiny. If you use your HSA money to pay for non-qualified medical expenses, a regular taxation and an additional 20% tax may be applied to those purchases.

**Q. I already have an HSA. How do I transfer my funds to my new HSA?**

A. You may choose to leave your funds with your previous HSA custodian; however, by doing so, you may incur monthly administration fees. If you have balances that you wish to transfer to your new HSA, simply complete the *HSA Transfer of Assets Form* and submit it to your previous HSA custodian.

**Q. When must contributions be made to an HSA for a taxable year?**

A. Contributions for the taxable year can be made in one or more payments at any time after the year has begun and prior to the individual's deadline (without extensions) for filing the eligible individual's federal income tax return for that year.\* For most taxpayers, the deadline is April 15 of the year following the year for which contributions are made.

*\*Please consult a tax professional for more tax-related information.*

**Q. Can I enroll in HSA if I use my spouse's health plan?**

A. It is possible. If you are covered under your spouse's family plan that is a high-deductible health plan (HDHP), you're eligible to enroll in an HSA. However, if you and your spouse both make contributions to HSAs, the total amount of contributions must not exceed the family contribution limits for the calendar year.

If your spouse is participating in a flexible spending account (FSA), you are not eligible to enroll in an HSA.

**Q. Can my spouse contribute to my HSA?**

A. Yes, but only if your spouse is covered by a HDHP. If your spouse is enrolled in a non-HDHP health plan, your spouse is not eligible to contribute to your HSA.

If a spouse is eligible to make contributions to your HSA or their own HSA, the sum of all contributions made in a calendar year must not exceed the contribution limit.

**Q. What happens to the money in my HSA if I no longer have HDHP coverage?**

A. Once you discontinue coverage under an HDHP, and/or, get secondary health insurance coverage that disqualifies you from an HSA, you can no longer make contributions to your HSA. However, since you own your HSA, you can continue to use the remaining funds for future health care expenses.

**Q. Is tax reporting required for an HSA?**

A. Yes. IRS form 8889 must be completed with your tax return each year to report total deposits and withdrawals from your account. You do not have to itemize to complete this form.

At year end, you will be provided with the following tax forms, if applicable:

- **1099 SA** – This document shows your annual distributions and is sent to you by January 31st. This form will not be sent if you did not distribute funds from your HSA for the prior calendar year.
- **5498 SA** – This document shows your annual contributions and is sent to you by May 31st

**Q. Can I still deduct health care expenses on my tax return?**

A. Yes, but not the same expenses for which you have already been reimbursed from your HSA.

**Q. Can I withdraw the money for non-health care purchases?**

A. Yes. If you withdraw the money for an unqualified expense prior to age 65, you'll pay income taxes as well as a **20% excise tax**. You can withdraw the money for any reason without penalty after age 65, but are subject to applicable income taxes.

**Q. Can I invest my HSA balance?**

A. Yes. Once your HSA cash balance exceeds the balance threshold required you can transfer funds to an HSA **investment account**. You can choose from three different investment models, Managed, Self-Directed, and Brokerage, to best fit your investment needs. Should your investment needs change you can switch to a new investment model at any time. Additionally, you can transfer between your HSA balance and investments at any time. Log in to your online account and navigate to your *HSA Account Details* page and click the *Learn More About Investments* link to learn more about how you can use investments to accelerate your retirement savings.

### We're here to help!

If you have any questions, feel free to contact Participant Services between 7 a.m. and 5 p.m. CST, M-F, at **(800) 346-2126**, choose option 1; or email [participantservices@ebcflex.com](mailto:participantservices@ebcflex.com).