

Health Savings Accounts

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HSA Basics:

High Deductible Health Plan (HDHP)

To cover serious illness and injury after deductible met. Works like a typical plan once the deductible is satisfied.

- Provided by an Insurance Company

Health Savings Account (H.S.A.)

Use to save tax-free dollars to pay for medical expenses including the deductible.

- Provided by Financial Institutions (Bank, Credit Union, Brokerage, etc).

HSA Contribution Limits (IRC 223):

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Self-only/Single):	\$4,300	\$4,150	\$3,850	\$3,650	\$3,600	\$3,550	\$3,500	\$3,450	\$3,400
Two-Party/Family:	\$8,550	\$8,300	\$7,750	\$7,300	\$7,200	\$7,100	\$7,000	\$6,900	\$6,750
Age 55 and older Catch-up:	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1000	\$1000	\$1000	\$1000

The minimum deductible a plan must have to be eligible to fund H.S.A. for 2020, 2021, 2022 \$1,400/\$2,800. For 2023 \$1,500/\$3,000 & 2024 \$1,600/\$3,200, for 2025 \$1,650/\$3,300

The maximum out of pocket limits a plan can require (including deductibles, co-pays, co-insurance; but not premiums) is \$7,050 individual / \$14,100 family for 2022. For 2023 \$7,500/\$15,000 and 2024 \$8,050/\$16,100. For 2025 \$8,300/\$16,600.

* Can contribute full amount even if enrolled in December but must stay enrolled till end of December of the following year, otherwise pro-rated.

** Unused amounts "roll-over" each year and are not subject to Federal income taxation when used for qualified expenses.

Contributions to HSAs can be received from the following sources:

- ✓ Individuals
- ✓ Employers
- ✓ Any combination of employer and employee

Employer contributions are excludable from income and individual contributions are deductible "above the line". That is, a taxpayer does not have to itemize deductions in order to take the contribution as a deduction. Employers may offer HSAs as part of a Section 125(d) Cafeteria Plan.

Triple Tax Break:

- Individual contributions are **tax-deductible**, even if the taxpayer does not itemize.
- Employer contributions are **tax-free**.
- Investment earnings accrue **tax-free**.
- Distributions are tax-free** if used for "qualified" medical expenses (all Section 213(d) expenses except health insurance premium payments).

***Please Note: Until California passes legislation to offer the same tax-favored status as federal government has, contributions to the HSA funds are not tax deductible under the state income tax law. Please refer to your tax preparer for more info.

Qualified medical expenses include:

- Amounts paid for diagnosis, cure, mitigation, treatment or prevention of disease.
- Prescription drugs, dental expenses, vision coverage, qualified long term care services and long-term insurance.
- COBRA continuation coverage required by Federal law. Health insurance for the unemployed.
- Distributions made for **unqualified** expenses are subject to income tax and a 10% penalty. The 10% penalty may be waived in certain circumstances. **Federal Health Care Reform increases the penalty to 20% after January 1st 2010.**
- HSA funds may be used to pay for retiree health insurance premiums other than Medigap. Includes Medicare premiums.
- Federal Law has changed again (under the CARES ACT and effective 1-2020) and now allows most OTC meds too.