

## 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):

	2026	2025	2024	2023	2022	2021	2020	2019	2018
 Self-only/Single):	\$4,400	\$4,300	\$4,150	\$3,850	\$3,650	\$3,600	\$3,550	\$3,500	\$3,450
Two-Party/Family:	\$8,750	\$8,550	\$8,300	\$7,750	\$7,300	\$7,200	\$7,100	\$7,000	\$6,900
Age 55 and older Catch-up:	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$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, for 2026 \$1,700/\$3,400

The maximum out of pocket limits a plan can require (including deductibles, co-pays, co-insurance; but not premiums) for 2024 \$8,050/\$16,100. For 2025 \$8,300/\$16,600, for 2026 \$8,500/\$17,000

\* 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.