



2021.22 Training

Subject: Health Savings Accounts | Talking Points

Table Of Contents

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A Health Savings Account (HSA) can help you reduce your taxable income, and you can use it to pay or reimburse medical expenses. Are you eligible for one?

Contributing to a Health Savings Account can help you lower your taxable income

Part of your preparation for the new tax season should be an inventory of all deductions for which you might be eligible. A review of each key area of your life including work, education, children, health, and their associated costs can help clarify areas that may help reduce your taxable income.

In the area of health, contributions to an HSA made by you or your employer can be claimed, even if you don't itemize deductions on a Schedule A (Form 1040). Additionally, contributions made by your employer may be excluded from your gross income. HSA contribution should be reported on Form 8889 and filed with your Form 1040 or Form 1040NR.

An HSA is a tax-exempt account used to pay or reimburse qualified medical expenses that generally would be eligible for the medical and dental expenses deduction. The amounts contributed to an HSA gain interest tax free, and the account stays with you even if you change employers or leave the workforce. Unused funds carry over to the next year and there is no time limit on when the funds must be used, unlike a Flexible Spending Account in which funds are forfeited at the end of the year.

An HSA is set up by a qualified entity such as a bank, insurance company or anyone approved by the IRS to be a trustee of Individual Retirement Arrangements (IRA). HSAs can only be established for individuals who qualify. There is no such thing as a joint HSA for married couples.

You must meet the following criteria to qualify for an HSA account:

- You are covered by a high-deductible health plan (HDHP) on the first day of the month
- You have no other health coverage except what is permitted
- You are not enrolled in Medicare
- You can't be claimed as a dependent on someone else's tax return

If you or your employer have made contributions to your HSA plan in this tax year, make sure you reap the benefits on your next tax return.