

## HOW DO I SHOW MY PARTICIPATION IN A HEALTH SAVINGS ACCOUNT ON MY TAX RETURN?

- If you have a HSA, you must report all contributions and distributions on your individual tax return.
- Your W-2 form will show employer contributions (if any) to your HSA which is also shown on the employer's business tax return.
- The IRS receives a report of all contributions and distributions you make from your custodian or trustee where the HSA is held.

## WHAT ARE THE HSA CONTRIBUTION RULES?

The total amount you or your employer may contribute to an HSA for any taxable year is dependent upon whether you have individual or family coverage under a high deductible health plan as shown in the table below.

2009 HSA Contribution Limits (Note: These limits are revised each year to reflect cost-of-living increases)		
	Individual	Family
Annual Contribution Limit	\$3,000	\$5,950

## IF I AM 55 OR OLDER, DO CATCH-UP CONTRIBUTIONS APPLY AS THEY DO WITH IRAs?

Yes, you can take advantage of additional contributions as follows:

Age 55 and over Catch-up Contribution Limits	
Tax Year	Catch-up Contributions
2009 and later	\$1,000

## Branch Locations and Phone Numbers

Ada Office  
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Kenton Plaza Office  
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Kenton, Ohio 43326  
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# HEALTH

# SAVINGS

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## SAVING FOR YOUR HIGH DEDUCTIBLE HEALTH PLAN

Health Saving Accounts, or HSAs, are new, tax-favored consumer savings arrangements for individuals covered by high deductible health insurance plans. HSAs were created by Congress to combat the rising medical costs providing an incentive for more consumers to pay “first-dollar” medical expenses. This account is like an IRA account, but it is distinctively designed for covering authorized medical expenses for the person who opens the account and his or her dependents.

Health Savings Accounts maintain their tax-free status if they are used for the following medical expenses:

- Doctor and dental visits, prescriptions, transportation to receive medical and dental care.
- Healthcare coverage when unemployed
- Long-term care insurance
- Certain continuation-of-benefit healthcare coverage
- Health insurance plans that qualify after age 65

NOTE: Violations—nonqualified uses of Health Savings Accounts savings are subject to taxation and a 10% penalty unless the Health Savings Account holder is age 65 or older, is disabled or dies.

### WHAT ARE THE TAX BENEFITS OF A HSA?

Qualified individuals can enjoy significant tax benefits associated with paying qualified medical expenses. These benefits have similar characteristics to IRA accounts. A summary of HSA tax advantages is shown below.

- HSA assets are never taxed, if used for qualified medical expenses.
- HSA earnings are tax deferred.
- Employer or employee contributions to a HSA are excluded from income.
- Unused HSA assets may be used for retirement, but these funds will be subject to a 10% penalty if the HSA beneficiary has not reached the age of 65, dies or is disabled. Any funds that are not used for medical expenses will be subject to income taxes.
- Upon death, HSA assets become the property of a named death beneficiary, or of the HSA account beneficiary’s estate. The spouse of the beneficiary may treat the assets as their own HSA, while other death beneficiaries must treat such savings as ordinary taxable income.

### WHO IS ELIGIBLE?

You are eligible if you

- are covered under a high deductible health plan (HDHP) on the first day of the month;
- are not covered by any other health plan that is not HDHP (with limited exceptions);
- are not enrolled in Medicare (generally not yet age 65); and
- are not able to be claimed as a dependent on another person’s tax return.

### WHAT IS CONSIDERED A HDHP?

A High Deductible Health Plan is an insurance policy that meets certain dollar limits as shown in the table below.

2009 HDHP Limits (Note: These limits are revised each year to reflect cost-of-living increases)		
	Individual	Family
Annual Deductible	\$1,100 or more	\$2,200 or more
Annual Deductible plus out-of pocket expenses cannot exceed...	\$5,600	\$11,200

### CAN SELF-EMPLOYED INDIVIDUALS HAVE AN HSA?

Sole proprietors and others who are self-employed are excellent candidates for an HSA. HSAs are often beneficial for the self-employed because

- high deductible health insurance plans generally have lower premiums, and may be an effective cost-containment mechanism for the employer;
- The employer is protected against potentially catastrophic healthcare expenses; and
- The HSA may serve the dual purpose of providing for both medical and retirement expenses.

### WHAT IS THE COST TO HAVE A HSA?

There will be a yearly maintenance fee of \$25.00. This fee will be applied on the first day of January each calendar year.

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