

Rollovers form Other Plans

Rollover from an Archer Medical Savings Account are allowed into a Health Savings Account. Funds in an IRA, HRA or FSA are normally NOT allowed to be rolled into a Health Savings Account.

Hope Act New Rules effective 2007

An HSA is allowed to do a one-time tax free “transfer” from his/her IRA to an HSA up to the annual limit as long as he/she continues to be eligible for the HSA for the next 12 months after the transfer date. This is only available through 2009.

Distributions for Medical Expenses

Distributions from an HSA are not included in income as long as the funds are used for a qualified medical expense. If not used for a qualified expense, the funds are taxable and may also receive an IRA 10% penalty unless the distribution is due to death, disability or age 65 or older. The HSA participant will have to file IRS form 8889 with his/her tax return to show contributions and distributions. He/she will not have to send documentation of medical expenses but must keep a personal record of qualified expenditures for IRS audit purposes

Tax Reporting

- ▶ The customer will report all contributions and distributions associated with their HSA on form 8889 and attach it to his or her 1040.
- ▶ The bank will send the customer a 5498-SA showing the amount contributed to the HSA by both himself and the employer.
- ▶ The bank will report any distributions to you and the IRS on Form 1099-SA.

Penalties

- ▶ **Excess contributions** contributed to an HSA are subject to a 6 percent excise tax on the excess amount and earnings if not withdrawn prior to April 15th of the following year.

Responsibilities & Recordkeeping

- ▶ It is the responsibility of the account holder, not the Trustee or Custodian, to determine whether an expense is “qualified” to be paid from the HSA account.
- ▶ All HSA account holders must keep legible receipts in case they are audited by the IRS.

Beneficiary Information

- ▶ Upon death, HSA assets become the property of a named beneficiary or of the HSA owner’s estate.
- ▶ A spouse beneficiary may treat the HSA as his or her own, while non-spouse beneficiaries must treat such inherited assets as ordinary taxable income.

For more information...

Contact one of our customer service representatives. Additional information can also be obtained from the Treasury’s HSA web site www.treas.gov.

Convenient locations to serve you in...

Monticello	606.348.8411
Albany	606.387.6611
Somerset	606.451.0388
Casey County	606.787.2046
Russell County	270.866.7322
Bowling Green	270.796.6639
Glasgow	270.659.0080

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Health Savings Accounts

*A Tax Advantage to Offset
Health Care Expenses*



 **Monticello**
BANKING COMPANY

Health Savings Accounts (HSA), were created by Congress to combat rising medical costs by providing an incentive for more consumers to pay “first-dollar” medical expenses. HSAs are tax-favored accounts designed to help individuals who are covered by high deductible health plans, pay medical expenses for themselves, their spouses and their dependents.

Monticello Banking Company offers an interest bearing HSA checking account where funds are accessible with a debit card.

Who is eligible for an HSA?

- ▶ HSAs are available to individuals covered by a **High Deductible Health Plan (HDHP).**
- ▶ Individuals cannot be covered by any other insurance that is not HSA qualified.

Certain types of insurance (listed below) are not considered “health insurance” and will not jeopardize someone’s eligibility for an HSA.

- ▶ Auto
- ▶ Dental
- ▶ Disability
- ▶ Long Term Care
- ▶ Hospital Indemnity

You are ineligible if you are

- ▶ Without health insurance
- ▶ A child
- ▶ Enrolled in Medicare & Medicaid
- ▶ Enrolled in Tricare
- ▶ Enrolled in VA Health Insurance

Qualified Expenses:

HSA funds can be used for the expense of anyone in the immediate family, even if they are not covered under the same HSA-qualified insurance as the account holder. A list of qualified expenses may be found in IRS Publication 502, available from the IRS website.

How much can I contribute to an HSA?

The total amount you or your employer may contribute to an HSA is dependent upon whether you have single or family coverage.

HSA Annual Contribution Limits

Can be made weekly, monthly, annually, etc.

	<u>Single Coverage</u>	<u>Family Coverage</u>
2008	\$2,900	\$5,800
2009	\$3,000	\$5,950

Catch-UP- Anyone who is considered having a HDHP and is age 55 or older in the contribution year (and not participating in Medicare after age 65) is allowed to contribute an additional amount each year to the HSA over his/her deductible amount. The catch-up contribution will not be prorated for the actual birth date turning 55. If a family plan and both spouses are 55 or over, both can make the additional catch-up contribution, but not into the same HSA account. This will increase annually in increments of \$100.00 per year as follows:

2008 - \$900 2009 - \$1000

Deadline for Contributions

April 15 of the following tax year not including extensions.

Annual contribution maximum is no longer limited to the deductible amount as long as it is defined as an HDHP.

What are the benefits of an HSA?

HSAs can provide significant tax benefits. Not only can they provide tax benefits related to paying qualified medical expenses, they may also serve as additional income for retirement.

Tax Benefits

- ▶ Employer contributions are excluded as taxable income
- ▶ Account owner contributions are tax deductible even if you don’t itemize on your Federal Tax Return
- ▶ HSA earnings are tax-deferred if used for qualified medical expenses
- ▶ Unused HSA assets are tax free at age 65 and can be used at account owner’s discretion.

What is a HDHP?

High Deductible Health Plans (HDHPs) You must have coverage under an HSA-qualified “high deductible health plan” (HDHP) to open and contribute to an HSA. Generally, this is health insurance that does not provide co-pays for medical expenses. Federal law requires that the health insurance deductible be at least:

	<u>HDHP Deductible</u>	<u>Out of Pocket</u>
Single		
2008	\$1,100	\$5,600
2009	\$1,150	\$5,800
Family		
2008	\$2,200	\$11,200
2009	\$2,300	\$11,600

If the plan does not meet both the deductible and out-of-pocket expense restrictions, it is not considered a HDHP.