

Health Savings Account (HSA) Helpful Hints

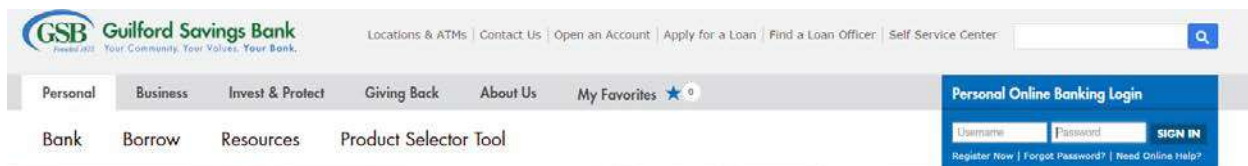
As district employees are continuing to transition to and learn more about the high-deductible health plan (HDHP) and health savings account (HSA) benefit program, the HR department thought it might be useful to share some “helpful hints” about the use and management of your HSA:

Availability of Funds:

As a reminder, a health savings account is really a checking account. Just like any checking account, you can only spend from your account the funds that are available in it. Should you run into a situation where your account is overdrawn, this could lead to issues with the tax-free status of your HSA funds. You can always monitor your account balance on-line or through a mobile app prior to any expenditure so that you do not run into this situation.

On-Line Account Access:

Guilford Savings Bank has a variety of electronic means of monitoring your HSA. You can check your account balance, review contributions or pay bills on-line. To set-up an on-line account, go to www.gsb-yourbank.com



Guilford Savings Bank also has a mobile app available.

Borrowing from your HSA for non-qualifying expenses:

Although it can be tempting to withdraw or “borrow” available funds from your HSA with the intention of “returning” these funds to the account, this can lead to many issues. The IRS has rules as to what the funds may be used for and sets annual limits on the amount of pre-tax funds that can be deposited into a HSA (*more detailed information below*). Any funds that you take out and/or use for non-qualifying expenses and then re-deposit or “return” to your account will be posted as a contribution and would consequently reduce the amount of pre-tax funds you can place into your health savings account. Also, should you be audited by the IRS, you will need to have receipts for any expenditure from your HSA. If you do not have a receipt associated with a withdrawal that shows you used your funds for a qualifying expense, this would eliminate the tax exemption on your HSA contributions and you could incur taxes and penalties. Please see IRS publication 502 for information on qualifying expenses.

<https://www.irs.gov/pub/irs-pdf/p502.pdf>

Maximum Annual Contributions:

For the 2017 calendar year, the IRS has set the maximum tax-free contribution to a HSA at \$3,400 for single coverage and \$6,750 for family (2 person or more) coverage. This limit is a combination of employer AND employee contributions.

Based upon your selected HSA payroll contribution, the district is able to track the maximum annual contribution made to your HSA for both employer and employee contributions. Employees, though, are also able to make personal deposits to their HSA account at the bank. Since the HSA bank accounts are your personal property, the district is not aware of these personal deposits and this can lead to issues

with your payroll contribution should you exceed the annual maximum. Therefore, it is helpful for you to monitor your contributions to your HSA so that you do not exceed this annual limit. The best way for you to monitor your account is on-line at www.gsb-yourbank.com

Catch-Up Contributions:

The IRS allows employees age 55 or older to contribute an additional \$1,000 annually to their health savings account or a “catch-up” contribution. In order to make this contribution, you will need to do so at Guilford Savings Bank and clearly communicate that this is a catch-up contribution. If not, this deposit could impact your annual contribution limit.

The IRS also allows employees to make contributions up to April 15th which can be credited to the prior year for tax purposes. These personal HSA contributions are an “above the line” deduction to reduce your taxable income. For instance, if you did not reach your maximum HSA contribution limit for 2016, you have up to April 15, 2017 to make additional contributions to your HSA for tax credit in 2016. Any contributions of this nature must be made directly at the bank and clearly communicated that the deposit needs to be credited to 2016. Again, if this is not clearly stated at the bank, this will reduce your 2017 contribution limit.

The following is a link to FAQs about HSAs provided by Guilford Savings Bank:
<http://www.gsbyourbankhsa.com/faq>

We hope that you have found this information helpful. As always, please feel free to contact the Human Resources Department with any questions about your benefit program.