

HSA Provisions Tax Relief and Health Care Act of 2006

Old HSA Guidelines	New HSA Guidelines
<p>1. Contribution Amount</p>	<p>HSA eligible individuals may make HSA contributions up to the lesser of 100% of their qualified HDHP annual deductible amount or the 2007 maximum contribution limits of \$2,850 for self-only and \$5,650 for family coverage.</p>
<p><i>Example: A family with a \$2,200 deductible on their qualified HDHP plan can still contribute \$5,650 to their HSA for 2007.</i></p>	
<p>2. Contribution Based on Eligibility</p>	<p>Under the new provision, contributions are no longer limited to the annual deductible of qualified HDHP. Eligible individuals can contribute up to \$2,850 for self-only or \$5,650 for family coverage for 2007.</p>
<p>Contributions of an individual who is issued an HDHP mid-year are reduced on a pro-rated basis for each month the individual did not have HDHP coverage as of the first day of the month.</p>	
<p>An individual who becomes an HSA-eligible individual in any month after January may make the full HSA contribution for the year. However, HSA eligibility (including keeping the HDHP in force) has to be maintained for 13 consecutive months beginning December of that year or contribution amounts will be subject to income tax and a 10% penalty.</p>	
<p><i>Example: A family has a qualified HDHP issued in December, 2007 with a \$2,200 deductible. Under the new guidelines, they can contribute up to \$5,650 into their HSA for 2007. However, their eligible status must be maintained through December 31, 2008 or the contributions would be subject to income tax and a 10% penalty.</i></p>	
<p>3. Cost of Living Adjustments (COLA)</p>	<p>COLA adjustments that affect HSA contributions are generally published in November each year.</p>
<p>COLA adjustments applicable to HSAs will now be published by June 1 each year.</p>	
<p>4. Transfer of Funds from FSA or HRA</p>	<p>No transfers from an FSA or HRA to an HSA are permitted.</p>
<p>Individuals with funds in an FSA or HRA can make a <u>one-time</u> transfer of up to the balance in such account as of 9/12/06 (or, if less, the balance on the date of the actual transfer) to an HSA, but the transfer must be made prior to January 1, 2012. The transferred amount is not deductible as an HSA contribution, and does not count against the maximum contribution limit. However, HSA eligibility (including keeping the HDHP in force) has to be maintained for the remainder of the month during which the transfer was made and for 12 full months thereafter, or transferred amounts will be subject to income tax and a 10% penalty.</p>	
<p>5. Transfer of Funds from IRA</p>	<p>No transfers from an IRA to an HSA are permitted.</p>
<p>Individuals with funds in an IRA can make a <u>one-time</u> transfer of funds from the IRA to an HSA, as long as it is done as a trustee to trustee transfer, and does not exceed the annual contribution limits. The transferred amount is not deductible as an HSA contribution, but does count against the maximum contribution limit. Similar to the FSA/HRA transfer rule, HSA eligibility (including keeping the HDHP in force) has to be maintained for the remainder of the month during which the transfer was made and for 12 full months thereafter, or transferred amounts will be subject to income tax and a 10% penalty.</p>	
<p>6. Contributions to HSA as a participant of FSA</p>	<p>An individual participating in an FSA that incorporates the 2 1/2 month grace period generally may not contribute to an HSA until the first month following the end of the 2 1/2 month grace period.</p>
<p>A participant in an FSA that incorporates the 2 1/2 month grace period may nonetheless contribute to an HSA during the grace period if his or her account balance is "zero" as of the end of the previous plan year. (See number 4 if the FSA has a positive balance.)</p>	
<p>7. Employer Contributions to HSA</p>	<p>Employers making contributions to the HSAs of employees must generally be either the same amount or the same percentage of the HDHP deductible.</p>
<p>Employers are permitted to make greater HSA contributions on behalf of non-highly compensated employees (NHCE), but must satisfy the comparability rules with respect to NHCEs.</p>	
<p><i>Example: An employer may make a \$1,000 contribution on behalf of each NHCE without making any contributions to highly compensated employees (HCEs). NHCEs are defined for 2007 as individuals who earn less than \$100,000.</i></p>	