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THE DIRTY DOZEN OF HSAs

Clarification on the top 12 misunderstood HSA concepts

1. *There is no such thing as a joint HSA.*

2. *A qualified medical expense incurred after the establishment of the HSA allows for a tax-free distribution from the HSA at any point in the future.*
   - The distributions do not need to take place in the year the expense was incurred

3. *One cannot contribute to an HSA for any month after enrollment in Medicare Part A.*
   - Enrollment in Social Security is deemed automatic enrollment in Medicare Part A

4. *A participant is disqualified from HSA eligibility where a spouse maintains a general purpose FSA.*

5. *The "Last Month" Rule allows a participant to contribute the applicable annual maximum amount for a particular year as long as the participant was eligible for an HSA as of December 1 of that year.*
   - Regardless of the actual number of months of participation

6. *A year in which a carryover from a general purpose FSA occurred will disqualify the participant from HSA coverage for the entire year.*
   - Unless such carryover was made to a limited purpose FSA

7. *A child may be covered under the high-deductible healthcare plan through age 26.*
   - However, they will not be a qualified dependent under the HSA after turning age 19 (or, if a student, after turning age 24)

8. *HSAs are portable and can be rolled to another qualifying custodian much like an IRA.*
   - Such accounts are not controlled by the employer

9. *HSA contributions can be made outside of the employer subject to the overall limits.*
   - In such case, the deduction is taken on the participant's income tax return

10. *An HSA cannot be used to pay medical premiums until after the participant reaches age 65.*

11. *HSA distributions can be made for any reason after age 65 and the 20% penalty will not apply.*
    - However, such distributions will be subject to income tax if not used for qualified medical expenses

12. *An excess HSA contribution can be easily corrected without a penalty.*
    - As long as such excess is removed along with any related earnings before the due date of the participant's income tax return (plus extension) for the year in question

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