

Health savings account: Can I have one and how can I use it?

HSA eligibility

Federal law governing tax-free savings accounts restricts who is eligible to have a tax-free health savings account (HSA). The law also defines the “qualified medical expenses” that can be covered or reimbursed from an HSA. Additionally, there are restrictions on which family members an accountholder can spend HSA dollars to cover or reimburse for their qualified medical expenses. In order to qualify to have an HSA and make tax-free contributions to it, an employee:

- Must be covered by an HSA-qualified high deductible plan (MESSA ABC plans are HSA-qualified).
- Cannot be claimed as a dependent on someone else's tax return.
- Cannot be covered by another person's health plan if the other person's plan is not HSA-qualified.
- Can still be eligible for an HSA if her spouse has a non-HSA-qualified health plan, provided the employee is not covered by the spouse's plan.
- Cannot be enrolled in Medicare or Medicaid.
- Cannot have utilized VA benefits in the three months leading up to enrollment in the HSA plan.
- Generally cannot make contributions to an HSA if she has a medical Flexible Spending Account (FSA) or a Health Reimbursement Account (HRA) that reimburses qualified medical expenses (even if the employee is covered by a high deductible health plan).

Whose expenses can your HSA cover?

Under federal tax law, HSA expenditures are tax-free if used for qualified medical expenses for you and your spouse, any dependents you claim on your tax return, and, with certain exceptions, any person you could have claimed as a dependent.

- You and your spouse: This is true whether or not your spouse or dependent is covered by a high deductible health plan. Even if both spouses have an HSA, one spouse can pay for qualified medical expenses for the other.
- Any dependents you claim on your tax return. In general, you can pay qualified medical expenses for your child if he/she lived with you for more than half of the year and is under 19, or under 26 if a full-time student. In certain instances, you can use HSA funds to pay qualified medical expenses of other family members who you claim as a dependent for income tax purposes.
- You can use HSA funds for qualified medical expenses for any person you could have claimed as a dependent on your return except when the person filed a joint return, had a gross income of \$3,700 or more, or if you or your spouse, if filing jointly, can be claimed as a dependent on someone else's return.

If you have questions about your eligibility to have an HSA, review IRS Publication 969 at irs.gov/publications/p969. For questions on who will qualify as your dependent for purposes of reimbursing medical expenses from your HSA, review IRS Publication 502, *Medical and Dental Expenses*, at irs.gov/publications/p502/. Also, for specific questions or concerns, consult with your tax preparer or a tax attorney.

Questions?

If you have questions about your MESSA ABC medical plan, go to www.messa.org/MESSAABCs or call MESSA's East Lansing-based Member Service Center at 800.336.0013.

If you have questions about your HealthEquity HSA, go to www.healthequity.com or call HealthEquity's Member Services department at 877.218.3432.