

*The Board of Pensions administers the Benefits Plan of the Presbyterian Church (U.S.A.), offering retirement, healthcare, death, and disability benefits to qualifying members. The Board also provides financial and vocational grants through the Assistance Program.*

## Summary

The health savings account (HSA) is a tax-advantaged, individual account that can be used to pay for qualified healthcare expenses. Employees who enroll in the high deductible health plan (HDHP) medical coverage option in menu options may be eligible to set up and contribute to an HSA. Employers may also make contributions to HSAs on behalf of eligible employees. Employee contributions, as well as any employer contributions, are not subject to federal income taxes as long as HSA funds are used to pay for qualified expenses.

HSA funds may be used to pay for the HDHP deductible and copayments or they may be saved to pay for future healthcare expenses. Unused funds roll over from year to year and the account is fully portable, so it can be used to pay for qualified expenses after employment ends and into retirement.

## Eligibility

To be eligible to set up and make contributions to an HSA, the employee

- must be covered by an HSA-compatible health plan, such as the HDHP offered through the Board;
- cannot be covered by any other medical plan that is not an HSA-compatible health plan, including a spouse's medical plan;
- cannot be enrolled in Medicare or Tricare;
- cannot be eligible to be claimed as a dependent on someone else's tax return; and
- must be a U.S. resident.

## Contributions

Eligible employees generally may make HSA contributions through pretax payroll deductions, up to annual limits set by the IRS. The annual contribution limits for 2019 are \$3,500 if enrolled for Member-only coverage and \$7,000 if covering any family members. Participants who will be age 55 or older during 2019 may make additional catch-up contributions of up to \$1,000 for 2019.

Contributions are exempt from federal income and FICA (Social Security and Medicare) taxes. HSA contributions are also exempt from SECA taxes for ministers of the Word and Sacrament.

Employers have the option to make HSA contributions on the employee's behalf. These contributions are not taxable to the employee and, when combined with the employee's own contributions, may not exceed the IRS annual limits.

HSA contributions become available for use as they are deposited in the employee's account.

## Tax advantages

HSA contributions are made on a pretax basis, any investment growth is tax-free (or tax-deferred), and distributions for eligible healthcare expenses are tax-free.

## Savings now and for the future

Employees earn tax-free interest on their HSA balances and HSA funds can be invested when the account balance reaches \$1,000. Unlike flexible spending accounts, the entire HSA balance rolls over each year.

When the employee incurs an eligible expense, he or she may use available HSA funds to pay for the expense, or pay out of pocket and allow the HSA to grow and use it to pay for eligible healthcare expenses in the future.

## Eligible expenses

Employees may use HSA funds for their own qualified healthcare expenses or for qualified expenses for any family member that the employee can claim as a dependent for tax purposes. The family member does not need to be enrolled in the Medical Plan.

Qualified expenses are the medical, dental, and vision expenses that can be claimed as a tax deduction. Examples include, but are not limited to, deductible and copayment amounts, dental or orthodontia treatment not covered by the Dental Plan, and prescription drugs. Eligible expenses are outlined in IRS Publication 502 (Medical and Dental Expenses).

**Important!** The employee is responsible for making sure his or her HSA funds are used to pay for qualified expenses. If HSA funds are used for expenses that are not eligible, the distribution amount will be subject to federal income tax. An additional 20 percent tax penalty applies to those under age 65. Copies of itemized bills should be kept to show the funds were used to pay for qualified expenses, in case of an IRS audit.

## How it works

Here's how the HSA works:

- The employee estimates qualified healthcare expenses for the upcoming year.
- Next, the employee decides the annual amount to defer from salary — how much to have set aside from each paycheck — to go into the HSA to pay for qualified expenses for the coming year (this amount is called the *election*).
- The money elected for the HSA will be automatically deducted from the participant's paycheck on a pretax basis and credited to the HSA over the course of the year.
- When an employee incurs a qualified expense, he or she can either pay with a healthcare Visa debit card or submit the expense through the Further secure member portal for reimbursement. It is a good idea to save all receipts for reimbursements and to validate expenses.
- The employee can be reimbursed up to the amount currently deposited in the HSA.

## Enrollment

Employees must actively elect to participate in an HSA. Employees who elect the HDHP coverage option and are otherwise eligible to open an HSA (see Eligibility) may set up an HSA with Further, a leading HSA administrator.

Employees who already have an HSA with another administrator may transfer their existing HSA balances to Further to consolidate their savings.

## HSA fees

Employers will be charged \$0.75 per employee per month for each employee who establishes an HSA. Further will bill each employer directly for this monthly fee. There are no set-up fees for these accounts.

## For more information

Employers with HSA-related questions, should call Further Employer Support at 855-363-2583 between 8 a.m. and 5 p.m. CT, Monday through Friday, or email [sales.support@hellofurther.com](mailto:sales.support@hellofurther.com). For other questions, call the Board at 800-773-7752 (800-PRESPLAN).

*This is not a full description of benefits and limitations of the plan. If there is any difference between the information presented here and the provisions of the Benefits Plan of the Presbyterian Church (U.S.A.), the plan terms will govern. Visit [pensions.org](http://pensions.org) or call the Board at 800-773-7752 (800-PRESPLAN) for a copy of the plan document.*