

# Health Savings Account (HSA)

A health savings account (HSA) is an account you fund with pretax money and use to pay for qualified healthcare expenses, including the HDHP annual deductible, coinsurance, and more.

## HOW IT WORKS

HSAs are considered tax-advantaged because, under IRS rules, you don't pay taxes on your contributions and any investment growth is tax-free, as are distributions for qualified expenses. The IRS decides what expenses can be paid through your HSA (see Qualified expenses).

To elect an HSA, you must be enrolled in a compatible high deductible health plan, like the HDHP offered through The Board of Pensions of the Presbyterian Church (U.S.A.).

Here's how an HSA works:

- 1 You decide how much to contribute to your HSA for the upcoming year, subject to IRS limits (this is called your *election*).
- 2 Your employer deducts your election from your pay on a pretax basis and directs it into your HSA.
- 3 During the year, when you have a qualified expense, you decide whether to
  - pay it with HSA funds using the Visa healthcare debit card issued by Further, the HSA administrator, or by submitting it for reimbursement; or
  - pay it out of pocket and allow your HSA balance to grow.
- 4 You may use HSA contributions as they are deposited in your account.
- 5 Your HSA earns interest tax-free; you also may invest your account when the balance reaches \$1,000. Withdrawals for eligible expenses are also tax-free.
- 6 Unused HSA funds roll over from one year to the next with no limits.
- 7 You own your HSA; it goes with you if you change medical plans, start a new job, or retire.

## Contributions

You may contribute to the HSA up to annual limits set by the IRS. The annual limits for 2024 are \$4,150 if you are enrolled in Member-only medical coverage, and \$8,300\* if you are covering any family members. If you will be 55 or older during the year, you may make additional catch-up contributions of up to \$1,000. Your employer may also contribute to your HSA; you are not taxed on these contributions. Both your contribution and any employer contribution count toward the annual IRS limit.

Contributions are exempt from federal income and FICA (Social Security and Medicare) taxes. HSA contributions are also exempt from SECA taxes paid by ministers.

Under current IRS rules, you may not contribute to both an HSA and a healthcare FSA unless the FSA is a limited scope FSA. The healthcare FSA available to you typically will *not* be a limited scope FSA.

\*Up from \$3,850 (Member-only coverage) and \$7,750 (if covering any family members) in 2023

## Qualified expenses

You may use funds from the HSA to pay for qualified expenses: medical, dental, and vision expenses that can be claimed as tax deductions. Examples include, but are not limited to, deductible and coinsurance amounts, dental or orthodontic treatment not covered or reimbursed by any healthcare plan, and prescription drugs. Eligible healthcare expenses are outlined on the Further site at [learn.hellofurther.com](https://learn.hellofurther.com) or in IRS Publication 502 at [irs.gov](https://irs.gov).

These expenses can be for you or for any family member that you claim as a dependent for tax purposes. The family member does not need to be enrolled in the Medical Plan.

**Important!** You are responsible for making sure your HSA funds are used to pay for qualified expenses. If your HSA funds are used for expenses that are not qualified, the distribution amount will be subject to federal income tax, with an additional 20 percent tax penalty if you are under age 65. In case of an IRS audit, keep copies of itemized bills to show that you used your HSA funds to pay for qualified expenses.



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## Who can have an HSA

To open and contribute to an HSA, you

- must be covered by an HSA-compatible health plan, such as the HDHP offered through the Board of Pensions;
- cannot be covered by any other medical plan that is not an HSA-compatible health plan, including a spouse's medical plan;
- cannot typically be enrolled in a healthcare flexible spending account (unless the FSA is a limited scope FSA);
- cannot be enrolled in Medicare or Tricare;
- cannot be claimed as a dependent on someone else's tax return; and
- must be a U.S. resident.

## Enrollment

Your employer will tell you how to make your elections and will work directly with Further, the HSA administrator, to set up your contributions through payroll deductions. Once enrolled, you will receive a welcome packet from Further with additional information. Then, each year during Annual Enrollment, you will need to confirm the amount you want to contribute to your HSA for the upcoming year.

If you already have an HSA with another administrator, you may transfer your existing HSA balance to Further to consolidate your savings.

## LEARN MORE

For more information about health savings accounts, visit [pensions.org/medical](https://pensions.org/medical) or visit [learn.hellofurther.com](https://learn.hellofurther.com). If you have questions, call Further at 800-859-2144 or the Board at 800-773-7752 (800-PRESPLAN) (TTY: 711).



### **Save money**

A health savings account can help you save on taxes.



### **Convenient debit card**

The Further debit card lets you pay eligible expenses when you need to, without filling out forms.



### **Portable savings**

Unused funds roll over year to year, and the HSA goes with you if you change jobs or stop working.

*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](https://pensions.org) or call the Board at 800-773-7752 (800-PRESPLAN) (TTY: 711) for a copy of the plan document.*



**THE BOARD OF PENSIONS**  
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