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, copayments, and more.

HOW IT WORKS

HSAs are considered tax advantaged because, under IRS rules, you don't pay taxes on your contributions, any investment growth is tax-free, and so 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 health plan, like the HDHP offered through the Board.

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 (use the Visa healthcare debit card issued by Further, the HSA administrator, or submit 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. The 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, so 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 2020 are $3,550* if you are enrolled for Member-only medical coverage and $7,100* if 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 contributions 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.

* The IRS limits for 2019 are $3,500 if enrolled for Member-only coverage and $7,000 if covering any family members.

Qualified expenses

You may use funds from the HSA to pay for qualified expenses, which are 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 or reimbursed by any healthcare plan, and prescription drugs. Eligible healthcare expenses are outlined on the Further site at learn.hellofurther.com or in IRS Publication 502 at irs.gov.

These expenses can be for yourself or for any family member that you can 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. Keep copies of itemized bills to show you used your HSA funds to pay for qualified expenses, in case of an IRS audit.

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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;
- 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 be asked 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/benefitsguidance or visit learn.hellofurther.com. If you have questions, call Further at 800-859-2144 or the Board at 800-773-7752 (800-PRESPLAN).

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 or call the Board at 800-773-7752 (800-PRESPLAN) for a copy of the plan document.