

# HSA Employer News!

December 2013

## Guide to 2013 Tax Documents

The Bancorp will send 2013 tax documents directly to your employees on the following schedule:

- **IRS Form 1099-SA** will be sent by January 31, 2014. This form provides the total amount distributed from the HSA during 2013.
- **IRS Form 5498-SA** will be sent by May 31, 2014. This form provides the total amount contributed to the HSA for 2013. (Your employees do not need this form to file their income tax returns.)

Your employees will need the following forms to file their 2013 income taxes with the IRS:

- **IRS Form 1040** or **IRS Form 1040NR**
- **IRS Form 8889** (available for download at [www.irs.gov](http://www.irs.gov))

Employers are required to provide their employees with **IRS Form W-2** by January 31, 2014.

If you have questions regarding the 2013 HSA tax year, please call Customer Care and select "Option 2" to speak with an Employer Support Representative.

For tax-related questions, employees should consult their tax advisor or the IRS.

## Learn about new health FSA carryover, HSA eligibility

A new change to the "use-or-lose" rule for health flexible spending arrangements (FSAs) now allows employees to carry over up to \$500 of unused amounts in their health FSAs for expenses in the next plan year. This provision, if offered by an employer, means individuals will no longer have to risk losing all of their unused FSA contributions at year end.

### HSA Eligibility Effects

To use the FSA carryover option and be eligible for a Health Savings Account (HSA), the following conditions apply:

- An employer must offer the option of carrying over unused FSA funds into the next plan year.
- An employee must enroll in a qualifying high deductible health plan (HDHP) for the coming year.
- Any remaining funds in the employee's FSA must be carried into a limited-purpose FSA.

If your company does not offer a limited-purpose FSA, employees may want to consider waiving the carryover option. If the funds carry over into a general-purpose FSA, an employee will not be eligible to open and fund a Health Savings Account for the entire plan year.

Below are some **Questions and Answers** that further explain how the carryover option may affect HSA eligibility:

**Q:** An employee has \$200 remaining in an FSA and your company offers a carryover option. If the employee elects to carry over and also selects a high deductible health plan, can s/he establish an HSA after the \$200 is spent?

**A:** No. The standard FSA would be considered coverage whether it has \$200 or \$1. The employee can only carry over funds into a limited-purpose FSA.

**Q:** If your company offers the carryover option, can employees decline it?

**A:** Yes. It's up to the individual employee to inform you that s/he does not wish to carry over the unused FSA balance.

**Q:** If your company offers the two-and-half-month grace period,\* can an employee establish an HSA on the first day of the plan year with FSA funds remaining?

**A:** No. The employee cannot have any FSA funds remaining at year end in order to establish an HSA on the first day of the plan year. S/he must wait until the grace period ends even if the funds are spent.

\* A health FSA cannot have both a carryover and a grace period; it can have one or the other or neither option.

Learn more about the new carryover provision for health FSAs at <http://www.treasury.gov/press-center/press-releases/Pages/jl2202.aspx>.

**Happy Holidays! We wish you good fortune and good health throughout the New Year!**