

# HSA SMARTNEWS!

December 2013

## HSA Tax-Season Checklist

When 2013 comes to a close, we will help you be ready for tax time. You can expect to receive 2013 tax documents from The Bancorp on the following schedule:

IRS Form 1099-SA will be sent by January 31, 2014. This form provides the amount distributed from your HSA during 2013.

IRS Form 5498-SA will be sent by May 31, 2014. This form provides the amount contributed to your HSA for 2013. (You do not need this form to file your income tax returns.)

You will also need the following forms to file your 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))
- **IRS Form W-2** (will be sent to you by your employer by January 31, 2014)

For specific questions about your taxes, please consult your tax advisor or the IRS.

## Do I need to establish a new HSA for 2014?

No. If you already have an HSA, you do not need to establish a new account each tax year. Also remember that your HSA balance carries over from year to year – you do not need to use all of your HSA funds before the end of the current calendar year. You never have to worry about losing contributions that are not used.

Don't forget that you can continue to make HSA contributions for the 2013 tax year through April 15, 2014, as long as you do not exceed the 2013 contribution limits.

## 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 employer does not offer a limited-purpose FSA, you should consider waiving the carryover option. If the funds carry over into a general-purpose FSA, you 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 your HSA eligibility:

**Q:** I have \$200 remaining in my FSA and my employer offers a carryover option. If I elect to carry over and also select a high deductible health plan, can I establish an HSA after the \$200 is spent?

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

**Q:** If my employer offers the carryover option, can I decline it?

**A:** Yes. It's up to you to inform your employer that you do not wish to carry over the unused FSA balance.

**Q:** If my employer offers the two-and-half-month grace period,\* can I establish an HSA on the first day of the plan year if I still have FSA funds remaining?

**A:** No. You cannot have any FSA funds remaining at year end in order to establish an HSA on the first day of the plan year. You must wait until the grace period ends even if you spend the funds.

\* 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!**