Farmers & Merchants Bank
Where Family is our Foundation

HSA Quick Reference Guide

Q: What is an HSA (Health Savings Account)
A: An HSA is a custodial account that is established for the purpose of paying qualifying medical expenses for the account owner and/or their family.

Q: What is a "qualifying medical expense"?
A: A short list includes medical expenses to diagnose, cure, treat or prevent disease, and/or prescription drugs and insulin. This is a very limited list of items. For a more detailed list you can visit the IRS website under eligible expense list.

Q: Who can open an HSA account?
A: Any individual who is covered under a high deductible health plan (HDHP) is eligible. Contact your employer to see if your insurance plan is considered a HDHP.

Q: What is a HDHP?
A: A health plan that meets certain deductible and out of pocket expense limits.

Q: How much can an individual contribute each year?
A: For an individual plan the maximum contribution is $3,550. For a family plan, the maximum contribution is $7,100.

Q: What if the person is over 55 years?
A: They can contribute an additional $1,000 as a catch up provision.

Q: What are the rules for contributions?
A: The individual can contribute anytime during the year to an HSA. In addition, they may contribute until the tax filing deadline for a prior year contribution.

Q: Are there tax benefits to having an HSA?
A: Yes, the individual can deduct the amount contributed annually as an adjustment to their gross income.

Q: Can IRA funds be rolled into an HSA account?
A: Yes, there is a once a lifetime rule that allows an individual to roll their traditional or Roth IRA into an HSA, up to the annual contribution max for HSA.

Q: What happens if a person uses HSA funds for non-qualifying expenses?
A: There is a 20% penalty tax and the amount withdrawn is also included in the annual household income.

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