

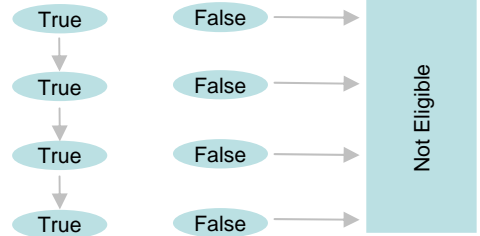
# 2007 HSA Eligibility and Contribution Worksheet



**Purpose:** Use this form to verify your eligibility for an HSA and determine the amount you may contribute. You are responsible for properly determining your eligibility and contribution amount. This worksheet is simply a tool to aid you in that effort. If you have any questions, please consult with your tax or legal counsel. Caution: The laws changed for 2007 and this Worksheet does not apply to contributions made in 2007 for 2006.

**1 HSA Eligibility.** You must answer "True" to each of the following in order to be eligible for an HSA. See definitions on back for help.

- a. I am covered under an HDHP
- b. I am not covered by another non-HDHP health plan other than "permitted insurance"
- c. I am not eligible for Medicare (age 65) or if I am eligible, I am not enrolled in Part A or B.
- d. I am not a dependent on another person's tax return



**2 Contribution Amount.** Use the table below to determine your amount.

	Contribution Worksheet	Individual	Family
<b>A</b>	Federal Limit <sup>1</sup>	\$2,850 (2007)	\$5,650 (2007)
<b>B</b>	Catch Up Contribution <sup>2</sup> – if Age 55 to 65 + \$800		
<b>C</b>	Total (add Federal Limit plus Catch-Up)		

<sup>1</sup>**Issues that Impact Contribution Amounts.** A number of issues potentially affect the amount of your HSA contribution.

**A. Mid-Year Eligibility.** If you become eligible for an HSA sometime during the year, rather than on January 1, you can still contribute and deduct the full amount of the Federal Limit above. However, if you fail to maintain your eligibility for a *testing period* then the amount you contributed under this rule is subject to taxation and a 10% penalty. An exception applies if you cease to be eligible because of disability or death. The *testing period* is the period beginning in the last month of the taxable year and ending on the last day of the 12<sup>th</sup> month following such month. For example, you enroll in a HDHP on December 1, 2007 and are eligible for an HSA starting in that month. Assuming single coverage, you can and do contribute the full \$2,850 for 2007. If you then cease to be eligible in June 2008 due to a new job that provides traditional health care coverage, an amount equal to 11/12 of your 2007 contribution is included in income and subject to a 10% penalty. If you had started the HDHP plan on November 1, then 10/12 of the contribution would need to be included in income.

**B. Lesser Deductible Limit.** If your HDHP deduction limit is less than the federal limit, you are allowed to contribute up to the federal limit. For example, if you are covered under a \$1,500 deductible HDHP single coverage policy, you can contribute \$2,850 to your HSA even though your deductible amount is only \$1,500. Prior to 2007, HSA contributions were limited to the lesser of the HDHP deduction amount or the federal limit.

**C. Multiple HSAs.** The Total contribution amount may be split among multiple HSAs. For family coverage, the amount may be split between eligible spouses' HSAs.

**D. FSA/HRA Transfers.** In limited circumstances you are allowed to transfer funds from a health Flexible Savings Account (FSA) or Health Reimbursement Account (HRA) into an HSA. These transfers do not count against your federal limit. See the back for details.

**E. IRA to HSA Transfers.** You are allowed a one time transfer of funds from your Individual Retirement Account into your HSA. This is limited to the amount you are eligible to contribute for the year and counts against that contribution (i.e. you cannot put in more than the Federal Limit counting any IRA transfer). You cannot deduct the amount transferred from an IRA to an HSA; however, the amount taken from the IRA is not taxable as a distribution from the IRA.

**F. Employer Contributions.** Caution: Employer contributions made to your HSA count towards your total contribution amount but may not be deductible from your personal income.

<sup>2</sup>**Catch-Up Contributions.** For individuals (and their spouses covered under the HDHP) between ages 55 and 65, the HSA contribution limit is increased to \$800 for 2007. If both you and your spouse are between age 55-65, you each get a catch-up. You cannot contribute more than \$6,450 (\$5,650 +\$800) into one HSA for 2007. Catch-up contributions should be made into each spouses' respective HSA.

Catch-Up Amount	Tax Year	2006	2007	2008	2009
	Amount		\$700	\$800	\$900

**3 Open an HSA.** Go to [www.HSAResources.com](http://www.HSAResources.com) and complete a short Application and send it to HSA Resources, PO Box 7338, St. Cloud, MN 56302. Account opening questions? Call 888.343.4422

# HSA Eligibility and Contribution Worksheet - Definitions and Instructions

1. **HDHP Defined.** The quickest and easiest method to determine if you are covered by a HDHP is to ask your insurance provider. Generally, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses.
  - a) **Self-only coverage.** Specifically, for self-only coverage, an HDHP has an annual deductible of at least \$1,100 (2007) and annual out-of-pocket expenses required to be paid (deductibles, co-payments and other amounts, but not premiums) not exceeding \$5,500 (2007 limit).
  - b) **Family coverage.** For family coverage, an HDHP has an annual deductible of at least \$2,200 (2007) and annual out-of-pocket expenses required to be paid not exceeding \$11,000 (2007 limit). In the case of family coverage, a plan is an HDHP only if, under the terms of the plan and without regard to which family member or members incur expenses, no amounts are payable from the HDHP until the family has incurred annual covered medical expenses in excess of the minimum annual deductible. Amounts are indexed for inflation.

***Example (1).** A Plan provides coverage for A and his family. The Plan provides for the payment of covered medical expenses of any member of A's family if the member has incurred covered medical expenses during the year in excess of \$1,100 even if the family has not incurred covered medical expenses in excess of \$2,200. If A incurred covered medical expenses of \$1,600 in a year, the Plan would pay \$500. Thus, benefits are potentially available under the Plan even if the family's covered medical expenses do not exceed \$2,200. Because the Plan provides family coverage with an annual deductible of less than \$2,200, the Plan is not an HDHP.*

***Example (2).** Same facts as in example (1), except that the Plan has a \$5,000 family deductible and provides payment for covered medical expenses if any member of A's family has incurred covered medical expenses during the year in excess of \$2,200 (2007). The Plan satisfies the requirements for an HDHP with respect to the deductibles.*
  - c) **Preventative care.** A plan does not fail to qualify as an HDHP merely because it does not have a deductible (or has a small deductible) for preventative care (e.g., first dollar coverage for preventative care).
  - d) **Permitted insurance defined.** If you are covered under a HDHP, you are not allowed to also be covered under another health plan, other than certain "Permitted" types of insurance. Permitted insurance is insurance under which substantially all of the coverage provided relates to liabilities incurred under workers' compensation laws, tort liabilities, liabilities relating to ownership or use of property (e.g., automobile insurance), insurance for a specified disease or illness, and insurance that pays a fixed amount per day (or other period) of hospitalization. In addition to permitted insurance, an individual does not fail to be eligible for an HSA merely because, in addition to an HDHP, the individual has coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care. If a plan that is intended to be an HDHP is one in which substantially all of the coverage of the plan is through permitted insurance or other coverage as described in this answer, it is not an HDHP. You are covered by another health plan if you are covered under a health Flexible Spending Account (FSA) or Health Reimbursement Account (HRA) unless it's a *Limited Purpose FSA or HRA*. You are also considered covered under another health plan if your spouse is covered under a FSA or HRA.
2. **FSA or HRA Transfer to an HSA.** You may transfer money from an FSA or HRA into an HSA. This rule is designed to assist people in switching from traditional health insurance with an FSA or HRA into a HDHP with an HSA.
  - a) **Amount of Transfer.** The amount transferred cannot exceed the lesser of (1) the balance in the FSA or HRA as of September 21, 2006 and (2) the balance in the FSA or HRA as of the date of the transfer. The amounts transferred from the FSA or HRA are not counted as against your federal HSA limit for the year. So you may make up to the federal annual contribution limit in addition to the amount transferred from and FSA or HRA. The balance of the FSA or HRA is determined on a cash basis (i.e. expenses incurred that have not been reimbursed as of the date the determination is made are not taken into account.)
  - b) **Tax Impact.** The transfer is excludable from gross income, meaning you do not have to pay taxes on the amount transferred. You cannot; however, deduct the amount transferred as an HSA contribution (the money already avoided income taxes when contributed to the FSA or HRA).
  - c) **Possible Penalty and Taxes.** If you fail to maintain your eligibility for the HSA during a testing period, then the amount transferred is taxable and subject to a 10% penalty. An exception applies if you cease to maintain eligibility because of death or disability. The testing period is the period beginning with the month of the transfer contribution and ending with the last of the 12<sup>th</sup> month following such month.
  - d) **Other.** This rule only applies to transfers made before January 1, 2012 (i.e. you cannot transfer assets from an FSA or HRA into an HSA after that date). You may only do one transfer per FSA or HRA. If an employer allows one eligible employee to do this type of transfer then the employer must make this type of transfer available to all eligible employees.

**Need More Help?** You are encouraged to talk to a tax professional, your insurance representative or another professional to help determine your eligibility and contribution amount. [IRS Notice 2005-50](#) and [IRS Notice 2004-2](#) both provide examples and more detail on eligibility; however, some of the contribution questions are outdated. See our web site for more FAQs.