



Health Savings Account

2024 Employee Guide



Health Savings Account Overview

A Health Savings Account (HSA) works in combination with a high deductible health plan (HDHP) to give you ultimate control over how you spend your health care dollars. A high deductible health plan offers protection from catastrophic or major medical expenses. These plans have a cap on how much you pay out-of-pocket. By adding a HSA, money is set aside pre-tax, earnings are tax-free and withdrawals for qualified medical expenses are tax-free.

As the account holder of a health savings account you are ultimately responsible for reporting the contributions and distributions to the Internal Revenue Service. It is also your responsibility to ensure that the account transactions are within the allowed regulations. Be sure to keep copies of all receipts, health savings account statements, and any notes with your tax files each year.

Benefits of Establishing a HSA

- You choose how much to set aside for healthcare expenses, up to the IRS maximum. Current limits for 2024 are:
 - \$4,150 for single HDHP coverage
 - \$8,300 for family HDHP coverage
- Contributions to a HSA reduce your taxable income. Contributions are taken out of your paycheck before income tax is calculated saving you federal income tax, state income tax, Social Security and Medicare.
- Money in your HSA account grows with you. The money in this account is yours and the interest you earn is tax-free.
- Your employer may contribute to your HSA.
- You can use the funds in your HSA to cover medical, dental, and vision expenses.
- Your HSA is portable. It goes with you even if you ever change jobs.
- No “use-it-or-lose-it” rule. If you don’t use the money in your account by the end of the year, it continues to roll over into the next year.
- You don’t have to submit documentation each time you use your HSA. Simply save your receipts in case you need to show that you used the funds for eligible expenses.
- From age 55 until you enroll in Medicare, you can contribute an additional \$1,000 annually.
- At age 65, you can use the funds in your HSA as you choose. There’s no penalty; however, it would be counted as income and taxed as such.

Eligibility Requirements for a HSA

To be an eligible individual and qualify for a HSA, you must meet the following requirements:

- You must be covered under a high deductible health plan (HDHP) on the first day of the month.
- You have no other first-dollar medical coverage (other types of insurance such as specific injury or accident, disability, dental, vision, or long-term care are permitted).
- You are not enrolled in Medicare.
- You cannot be claimed as a dependent on someone else’s 2024 tax return.

Eligibility for a HSA is determined monthly as of the first day of the month. If an individual obtains high deductible health plan coverage mid-month, eligibility for a HSA would begin the first of the following month.

Both an individual and spouse can have a HSA as long as both individuals are enrolled in a high deductible health plan coverage. It is up to the two individuals to determine how to split the maximum contribution.

Health Savings Account Contribution Limits

You can contribute up the annual statutory maximum as long as your health saving account is established by December 1 of the calendar year. The maximums are as follows:

2024

Single high deductible health plan coverage - \$4,150

Family high deductible health plan coverage - \$8,300

Catch-up Contribution (age 55 or older by the end of the year) - \$1,000

2023

Single high deductible health plan coverage - \$3,850

Family high deductible health plan coverage - \$7,750

Catch-up Contribution (age 55 or older by the end of the year) - \$1,000

Eligible Expenses

Expenses can be reimbursed from your health savings account for the diagnosis, cure, mitigation, treatment or prevention of disease and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness. Expenses which are solely for cosmetic purposes are not eligible expenses. In addition, expenses that are merely beneficial to your general health (for example, health spas) are not expenses for medical care.

Below is a quick reference of some common eligible medical expenses. Please refer to IRS Publication 502 for more detailed information.

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| · Acupuncture | · Chiropractor | · Hospital Services | · Prosthesis |
| · Alcoholism | · Christian Science Practitioner | · Laboratory Fees | · Psychiatric Care |
| · Ambulance | · Contact Lenses | · Lactation Expenses | · Psychologist |
| · Annual Physical Examination | · Crutches | · Nonprescription Drugs (if prescribed) | · Stop-Smoking Programs |
| · Artificial Limb | · Dental Treatment | · Operations | · Surgery |
| · Artificial Teeth | · Diagnostic Devices | · Optometrist | · Therapy |
| · Bandages | · Drug Addiction | · Organ Donors | · Transplants |
| · Birth Control Pills | · Eye Exam | · Osteopath | · Vasectomy |
| · Body Scan | · Eyeglasses | · Oxygen | · Vision Correction Surgery |
| · Braille Books & Magazines | · Eye Surgery | · Physical Examination | · Wheelchair |
| · Breast Pumps & Supplies | · Hearing Aids | · Prescription Drugs | · X-Ray |

Participating in a Health Savings Account and a Flexible Spending Account

If you are enrolled in a high deductible health plan and contributing to a health savings account you are still eligible to participate in a limited flexible spending account. The funds you contribute to your limited flexible spending account can be used for dental, vision and/or preventive care expenses.

Withdrawing Money from a Health Savings Account

Account holders may make a withdrawal (or distribution) at any time. Distributions received for qualified medical expenses not covered are distributed tax-free.

Unless individuals are disabled, age 65 or older, or die during the year, they must pay income taxes plus an additional penalty of 20% on any amount not used for qualified medical expenses. Individuals who are disabled or reach age 65 can receive non-medical distributions without a penalty; however, they must report the distributions as taxable income.

What If I Have More Questions?

We are here if you have any questions on your health savings account.

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