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HSAs and tax time



A health savings account (HSA) is a smart way to save for qualified medical expenses you'll have this year and in the future. That's because it offers several tax advantages:

- Your contributions are pre-tax or tax deductible.
- Earnings grow income tax-free.
- You can make tax-free withdrawals for qualified medical expenses.

In order to maximize your tax savings, consider the following tips, and be sure to consult your own legal, financial or tax advisor for advice.

Know your tax forms.

There are three IRS forms you should be familiar with if you have an HSA.

1. **Form 8889** is filed with IRS Form 1040 of your federal income tax return to report your total HSA contributions and distributions for the tax year. You can get this form by logging in to your account.
2. **Form 1099-SA** provides the total distributions that were made from your HSA during the year. If you had any distributions, Optum Bank® will send you this form in January. If you did not have any distributions, you will not receive this form.
3. **Form 5498-SA** reports the total contributions made to your HSA for the tax year covered by the form. Optum Bank will submit this form directly to the IRS, as required by law, and is typically available the end of January. If you make additional contributions for the tax year, which is allowed up until the tax filing deadline, (typically April 15), you will receive a second form. These forms are also available online when you log in to your account at **optumbank.com.**

IRS forms sound confusing? Here are the basics:

- Form 1099-SA shows the amount of money that you spent from your HSA during the tax year.
- Form 5498-SA shows the amount of money that was deposited into your HSA for the tax year.
- Form 8889 is the form that you fill out and submit with your tax return.

State taxes

Contributions, account earnings/interest and distributions for qualified medical expenses are exempt from federal tax. While most states also exempt HSAs from taxes, it's important to know your state's rules. California and New Jersey consider both contributions and account earnings/interest taxable. Tennessee and New Hampshire may require account holders to pay state tax on HSA earnings/interest. As these guidelines can change, it's important to consult your tax or financial advisor for more information.

Qualified medical expenses

To take advantage of income tax-free spending/distributions, you must make sure your HSA funds are spent on qualified medical expenses. You can find a list of qualified expenses at **IRS.gov** and also at **optumbank.com.** When you make purchases or pay bills with your HSA, be sure to keep your receipts in case of an IRS audit. You can easily upload images of your receipts online at **optumbank.com** and organize them into folders.

Remember that any HSA funds used to pay for goods or services that are not qualified medical expenses are taxable income. And, if you are under age 65, they can be subject to an additional 20 percent tax penalty.

Correcting withdrawal errors

If you mistakenly use your HSA for a non-qualified expense, you can return the funds to your HSA to avoid the penalty. Visit **optumbank.com,** log in to your account and download the Withdrawal Correction Form. Optum Bank must receive it by April 15 for any withdrawals made in error during the tax year.

Visit **optumbank.com** to access your tax documents online and learn more.



Reminder:

You have until the tax filing deadline, typically April 15th, to maximize your contributions for the previous tax year.

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Health savings accounts (HSAs) are individual accounts offered or administered by Optum Bank®, Member FDIC, and are subject to eligibility requirements and restrictions on deposits and withdrawals to avoid IRS penalties. State taxes may apply. Fees may reduce earnings on account. This communication is not intended as legal or tax advice. Federal and state laws and regulations are subject to change.

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