



# What's a Health Savings Account (HSA)?

An HSA is a personal savings account. HSA's are available to people enrolled in a high deductible health plan (HDHP) as their only form of health coverage (and who aren't covered by another program like Medicare or a spouse's insurance). HSAs are offered through a bank, insurance company, or mutual fund company. The money you contribute to the account isn't taxed and can be used for some of your out-of-pocket medical costs, like:

- Doctor's visits
- Prescription drugs
- Acupuncture
- Ambulance costs
- Hearing aids
- Psychological therapy/psychiatric care
- Qualified long-term care services

In some cases, you can spend the money on similar medical costs for your dependent(s) and/or spouse, and your money rolls over year to year if you don't spend it. HSA-compatible plans are available in most states on [HealthCare.gov](https://www.healthcare.gov). You can find out if your state has HSA-compatible plans when you apply for health coverage.

## What are the benefits of an HSA?

- **No federal income tax.** You're not taxed on money you put into an HSA or on interest earned in an HSA account.
- **No expiration date on funds.** Your HSA contributions don't expire. The money stays in the HSA until you use it.
- **Can use for spouse and dependents.** You can use your HSA to pay for qualified medical costs for your spouse and dependents, even if they're not covered by the HDHP.
- **Can keep the HSA if job changes.** You can keep your HSA even if you change employers or retire.

## How do HSA contributions and withdrawals work?

You may contribute to your HSA only when you're enrolled in a HDHP. Anyone can contribute to your HSA, like family members, friends, and employers. The table on the next page shows the maximum amounts you can put into an HSA in 2016 and 2017. These limits may depend on the type of HDHP coverage you have (self-only or family), your age, and when you qualified for an HSA.

If you're 55 or older, you can contribute an extra \$1,000 to your HSA each year. This is called a "catch-up" contribution. If your spouse is also turning 55 or older, your spouse can't put their catch-up contribution into your HSA. If your spouse has their own HSA, they can make a catch-up contribution to that account.

### Limits on HSA contributions in 2016 and 2017

	2016		2017	
	Self-only coverage	Family coverage	Self-only coverage	Family coverage
HSA contribution limits per year	\$3,350	\$6,750	\$3,400	\$6,750
HSA "catch-up" contributions (55 or older) per year	\$1,000		\$1,000	

The money you take from your HSA to pay or be reimbursed for qualified medical costs is tax free. If you take money from your HSA for non-medical costs or costs that don't qualify as an HSA cost **before** 65, you'll have to pay the federal income tax and a 20% tax penalty. If you take funds from your HSA **after** 65 for non-medical costs, you won't have to pay the 20% tax penalty, but you'll still have to pay the federal income tax.

**Note:** If you enroll in Medicare and are no longer enrolled in an HDHP, you can no longer contribute to your HSA. This is because you must be enrolled in an HDHP to contribute to an HSA. However, you may withdraw money from your HSA after you disenroll from an HDHP to help pay for qualified medical costs.

Keep receipts for medical costs paid for with HSA withdrawals to show that the HSA money was only used to pay or reimburse allowed medical costs. It's your responsibility to keep records of your medical costs and decisions, in case you're audited by the Internal Revenue Service (IRS).

### How can I determine how much a medical procedure will cost me?

Ask your health care provider and/or insurance company about qualified medical costs and procedures, and prices. You can also check your health plan documents, like your "Summary of Benefits and Coverage" documents, for more information.

### Where can I get more information about HSAs?

Visit [irs.gov/credits-&-deductions/individuals/health-savings-account-hsa](https://irs.gov/credits-&-deductions/individuals/health-savings-account-hsa) to learn more about HSAs.

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