



HSA Tax Filing

Funds withdrawn for “non-qualified” expenses are subject to a 10% penalty and tax. Once you reach age 65, you can take money out of the account for non-qualified expenses without a penalty. You would pay your then-current tax rate on the funds. This is typically referred to as “tax-deferred.” This benefit works the same as a Traditional IRA.

For a copy of qualified medical and dental expenses, please refer to IRS Publication 502.

Source of HSA Contribution	Tax Status
Employer	No income or payroll taxes applied
Employee, payroll deduction through a cafeteria plan	No income or payroll taxes applied
Employee, payroll deduction (without cafeteria plan) or direct to the credit union	Subject to payroll taxes, tax deductible (“above the line”)
Family member or friend	Deductible on recipient’s income taxes

You can contribute to your HSA up to the IRS-determined annual maximum, which is no longer tied to the amount of your deductible. If your coverage starts mid-year, you can contribute the annual maximum for your type of plan (family or single), as long as you maintain qualifying coverage through December 31st of the following year. In addition, catch-up contributions are allowed for eligible HSA accountholders as of the calendar year they turn 55. Contributions for a tax year can be made until the tax-filing deadline for that year, which allows you more time to contribute up to the maximum allowed amount. To view the maximums, please [click here](#).

For a printable list of items you will need to maintain each year for HSA tax purposes, please [click here](#).

In January, SEFCU will send you IRS Form 1099-SA. Form 1099-SA reports the total distributions taken from the account during the year. SEFCU sends this to you and to the IRS.

You may also receive a year-end statement which usually shows the beginning balance, how much you contributed to your HSA for the calendar year, how much you withdrew from the account during the year, and your ending balance on December 31st. Also in January, your employer will provide you with your W-2.

If your employer is making contributions to your HSA, Form W-2 provides the pre-tax contribution amount that will need to be entered on the IRS Form 8889. The HSA pre-tax contribution amount is provided in Box 12 (coded as W) on Form W-2. This amount cannot be included in the above the line deduction on your IRS Form 1040.

In May, SEFCU will send IRS Form 5498-SA to members and to the IRS. Form 5498-SA is used to report total contributions made to the account during the previous tax year and the value of the account at the end of that year. The form is sent in May because you can make contributions to your HSA for a given tax year until April 15th of the following year. Simply file this form with your tax information upon receipt. To file your taxes, use the information provided by SEFCU (and your employer, if applicable) to complete IRS Form 8889.

If you or another individual contributed directly to your HSA with after-tax dollars, you do not need to itemize your deductions to take the deduction on your income taxes. This amount can be deducted on the 1040 above the line.

If your tax return is audited by the IRS, you will need to provide receipts and other documentation proving the amount and eligibility of the expenses disbursed from your HSA. You will owe income tax and a 10% tax penalty on any non-qualified disbursement. Once you reach age 65, you no longer have to pay the 10% penalty for non-qualified HSA disbursements, only income tax on amounts used for non-qualified expenses.