

Health Savings Accounts (HSA)

How will you know if the taxpayer has an HSA issue?

- The Intake/Interview sheet has the Yes or Unsure HSA box checked.
- The taxpayer's (or spouse's) Form W-2 has a box 12 entry of code W for employer contributions. [**Caution** – Contributions to an employee's account through a Section 125 (cafeteria) plan are treated as employer contributions and aren't deductible.]
- The taxpayer (or spouse) has a Form 1099-SA with an X in box 5 showing distributions from an HSA.
- The taxpayer (or spouse) may receive Form 5498-SA for their HSA contributions. If taxpayers don't have this form they can provide the information regarding HSA contributions based on their records

Form 8889 - Health Savings Account

Form belongs to:

Coverage under high deductible health plan

CODE

-- Please Select --

Select the appropriate (HDHP) coverage for the taxpayer: **self-only or family**. This determines the maximum HSA contribution limits.

HSA Contributions

HSA Contributions you made for 2016

* INCLUDE contributions made from Jan 1 to Apr 15 of this year that were for 2016.
* DO NOT INCLUDE employer contributions, contributions through a cafeteria plan, or amounts that were rolled over into your HSA(s).

Number of months during this tax year that you were an eligible individual

-- Please Select --

Amount you and your employer contributed to your **Archer MSAs** for 2016 from Form 8853, lines 3 and 4. If you and your spouse had family coverage under an HDHP at any time during the tax year, also include any amount contributed to your spouse's **Archer MSA**.

-- Please Select --

Employer Contributions made to your HSA for 2016

We will automatically pull your employer contributions from your W-2. DO NOT enter amounts from your W-2.

-- Please Select --

Qualified HSA Funding Distributions

-- Please Select --

Employee contributions are entered here. Contributions by relatives or friends are considered to be made by the taxpayer. **Don't** include employer contributions on this line. The account holder needs to tell you how much was put in the HSA, because they might not have received the Form 5498-SA by the time they're preparing their tax return.

HSA Distributions

Total distributions received during 2016 from all HSAs.
(Usually shown in Box 1 of Form(s) 1099-SA)

-- Please Select --

Distributions used for qualified medical expenses

* If you do not enter an amount here your entire distribution will be considered taxable.

-- Please Select --

Distributions you received in 2016 that you rolled over into another HSA. Also include any excess contributions (and the earnings on those excess contributions) included above that were withdrawn by the due date of your return.

-- Please Select --

Exceptions - The additional 20% tax does not apply to distributions made after the account beneficiary dies, becomes disabled, or turns age 65.

Check here if you meet any of the exceptions to the 20% tax.

Enter number of months you had a Health Savings Account, a high deductible policy and no other major medical policy (including Medicare) and could not be claimed as a dependent.

Enter HSA distributions here. Ask the taxpayer for Form 1099-SA, with the HSA box checked. If not an HSA distribution, refer the taxpayer to a professional tax preparer.

HSA Adjustments

Limitation - Adjust amount of limitation from worksheet

Note: This amount will adjust a calculated amount.

-- Please Select --

Adjust your share of high-deductible health plan. If you and your spouse had separate HSAs AND had family coverage under an HDHP, see Page 4 of the Instructions for the amount to enter.

-- Please Select --

Note: This amount will adjust a calculated amount.

If you were age 55 or older at the end of the tax year, married, AND you or your spouse had family coverage under an HDHP at any time during the year, enter your Additional Contribution Amount.

-- Please Select --

Note: This amount will adjust a calculated amount.

Enter amount spent on qualifying medical expenses not reimbursed by insurance.

Age 55 or older, you can make an additional contribution of \$1,000.

If the taxpayer meets one of exceptions to the 20% additional tax, check this box. The exceptions are that the account beneficiary dies, becomes disabled, or turns age 65

Form 8889 will calculate the amount of excess contributions, if any. **Caution:** If the excess isn't withdrawn by the due date of the return then the return is out-of-scope.

Qualified medical expenses are expenses that generally would qualify for the medical and dental expenses deduction. Examples include unreimbursed expenses for doctors, dentists, and hospitals.

Only these Insurance premiums can be included: a) long-term care insurance based on premium limits shown in What's New tab, b) health care continuation coverage such as coverage under COBRA, c) health care coverage while receiving unemployment compensation, and d) Medicare and other health care coverage if the taxpayer was 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)

A medicine or drug will be a qualified medical expense only if the medicine or drug: a) requires a prescription, b) is available without a prescription (an over-the-counter medicine or drug) and the taxpayer gets a prescription for it, or c) is insulin.



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Screening Sheet for Health Savings Accounts (HSA)

NOTE: Only volunteers with **Health Savings Account Certification** may assist taxpayers with HSA issues.



Instructions: This Screening Sheet will help you identify HSA issues that are within the scope of the VITA/TCE program. Use the Determine HSA Eligibility section to determine if taxpayer is eligible for an HSA; use Part I for contributions/deduction; use Part II for distributions. **References:** Publication 969, Form 8889 and Instructions

Determine HSA Eligibility (To set up an HSA or make contributions to an HSA)

TO QUALIFY: An individual must meet **ALL** the following requirements:

- Be covered under a high deductible health plan (HDHP) on the first day of any month of the year.
- Have no other health coverage except for allowable "other health coverage." (Publication 969, "Other health coverage")
- Not be claimed as a dependent on someone else's tax return. (Publication 969, "Qualifying for an HSA")
- Not be covered by Medicare (but the individual can be HSA eligible for the months before being covered by Medicare)

NOTE: If the taxpayer doesn't qualify, but contributions have been made to an HSA, the taxpayer should be referred to a professional tax preparer.

PART I – HSA Contributions and Deduction

step If eligible, were contributions made to an HSA?

1

YES – Complete Form 8889, Part I, lines 1 and 2. Go to Step 2.

NO – **GO TO PART II.**

step Was the taxpayer enrolled in the same HDHP coverage for the **entire** year?
2 (Answer Yes, if last-month rule applies, and see Form 8889 Instructions)

YES – Complete Form 8889, Part I, lines 3-13.

FOR YES OR NO: Lines 4 and 10 are out of scope.

Caution: If line 2 is more than line 13, the taxpayer must withdraw the excess contribution to avoid an additional tax. If the excess is not timely withdrawn, refer the taxpayer to a professional tax preparer. (Refer to Form 8889 Instructions, line 13).

NO – Refer to Form 8889 Instructions for additional information on completing line 3.

PART II – HSA Distributions

step Did the taxpayer receive distributions from the HSA trustee (whether or not
1 Form 1099-SA received)?

YES – Complete Form 8889 Part II, Line 14a, 14b, if applicable, and 14c. Go to Step 2.

NO – STOP, do not complete Part II.

step Did the taxpayer use all or part of the distribution to pay or get reimbursed for
2 qualified medical expenses during the year that were incurred after the HSA was established **and** were for qualified persons?

YES – Enter the amount on line 15 and complete line 16. Go to Step 3.

NO – Enter zero on line 15 and complete line 16. Go to Step 3.

step If any part of the distribution is taxable, was the distribution made after the
3 taxpayer died, became disabled or turned 65?

YES – Check box on line 17a and complete 17b.

NO – Taxpayer will be subject to an additional 20% tax.