

Health Saving Accounts (HSA) Helpful Hints

References:

Publication 969, Health Savings Account and Other Tax-Favored Health Plans
Form 8889 and Instructions, Health Savings Accounts

Don't rely on this document alone. Refer to HSA references to provide assistance.

From the Federal section, select the deductions tab, next select adjustments tab, then HSA tab Form 8889.

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. Form 8889 should populate in the forms tree of the tax software. **[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.

What do you need to know about Form 8889, Health Savings Accounts?

Box 1 – Select the appropriate (HDHP) coverage for the taxpayer: **self-only or family**. This determines the maximum HSA contribution limits.

Box 2 – Employee contributions are entered on Line 2. 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. 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 **Caution:** If the excess isn't withdrawn by the due date of the return then it is out-of-scope; refer the taxpayer to a professional tax preparer.

Employee payroll deductions already reported on Form W-2, box 12, code W shouldn't be entered on line 2.

Line 6 – Usually the same as the Line 5 and it is calculated by the tax software. Taxpayers need to know whose name is on the HSA account (taxpayer or spouse). There is no such thing as a "joint HSA account". If both taxpayer and spouse have HSAs, and had family coverage under an HDHP, refer to the Instructions for line 6. In the tax software, use the Help option to review the Form 8889 Instructions.

Line 7 – Age 55 or older, look up "catch up" contribution limits in Form 8889 Instructions.

Line 14a – 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.

Line 15 – If all distributions were used for unreimbursed qualified medical expenses, enter the same amounts as line 14a. See Pub 17, Chapter 21 for qualified medical expenses You can't treat insurance premiums as qualified medical expenses unless the premiums are for long-term care insurance, health care continuation coverage (such as COBRA), health care coverage while receiving unemployment compensation under federal or state law, or Medicare and other health care coverage if the taxpayer is 65 or older (other than premiums for a Medicare supplemental policy). No over-the-counter medicines without a prescription (except for insulin). Taxpayers can't take a deduction on Schedule A for any amount included on line 15. Long-term care cost limits are:

\$390 if under 40
\$730 if 41 - 50
\$1,460 if 51 - 60
\$3,900 if 61 - 70
\$4,870 if over 70.

Lines 16, 17b – Complete if HSA distributions weren't used for qualified medical expenses. The tax software will auto calculate the lines, if applicable.

Line 17a – If taxpayer meets one of the exceptions to the additional 20% tax, check the box on line 17a. Exceptions are: age 65, disability, or death. See Form 8889 instructions for more information on the exceptions to the additional tax.

Lines 18-21 (Part III) – Out-of-scope.

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