



# Health Savings Account (HSA) Contribution FAQs

You, your family members, and/or your employer may make contributions to your HSA. Unused balances at the end of each year carry forward to following years and there is no limit on the total amount you may accumulate. The following guidelines apply when making contributions. The maximum annual contribution you may make in any one tax year is based on your eligibility and the maximum established by law which includes contributions made by you, your family members, and/or your employer.

## Maximum amounts that may be contributed to an HSA.

The maximum amount you may contribute is based upon the type of coverage you have, the specific calendar year (current limits are shown below) and the number of months you are HSA eligible. The maximum contributions are indexed annually by the Internal Revenue Service (IRS). If you are at least 55 years of age and not currently participating in Medicare you may take advantage of a catch-up contribution of \$1,000 per year. You may make the maximum catch-up contribution regardless of when you turn 55 in the tax year.

Year	Self-Only Coverage	Family Coverage
2015	\$3,350	\$6,650
2016	\$3,350	\$6,750
55 years +	Additional \$1,000/year	

## How do I determine the maximum I may contribute?

The maximum that you may contribute is based on the number of months you are HSA eligible. Your eligibility is determined the first of each month. To calculate the maximum you may contribute, use one of the above figures, divide by 12 months, then multiply by the number of months you are eligible.

For example, if your HSA-qualified family coverage high deductible health plan (HDHP) is effective April 1, 2015 and you have met all the other eligibility requirements, then the maximum you may contribute in 2015 is: \$4,987.53 ( $\$6,650 / 12 \text{ months} \times 9 \text{ months}$ ).

## What happens if I determine I contributed too much to my HSA?

Any amount above the maximum you are allowed to contribute based on your eligibility is call “excess contribution.” To avoid any potential penalties, the excess contributions must be removed from your HSA. Call us and we will be happy to help you calculate the excess contribution amount. Each situation is different so we can help you determine a best course of action for you.

## Based on the example above, may I contribute the maximum amount on April 1, 2015?

Yes, you may contribute the \$4,987.53 into your HSA on April 1, 2015, but you must remain an eligible individual through December 1, 2015 in order to avoid an “excess contribution.”

Using the scenario above, if you enrolled in HSA-qualified HDHP coverage effective April 1, 2015 but were no longer an eligible individual on November 1, 2015, then you were only an eligible individual for 7 months. The maximum you may have contributed in 2015 is \$3,879.17 ( $\$6,650 / 12 \text{ months} \times 7 \text{ months}$ ). If instead you contributed more than \$3,879.17, you would have an excess contribution for 2015 of the amount contributed over \$3,879.17. The excess contribution will be subject to income tax and an additional 10% penalty.

To avoid excess contributions as illustrated above, calculate the monthly pro-rated amount and make the contributions each month. This can easily be done when contributing through payroll deductions.

## **My HSA qualified high deductible health plan (QHDHP) was effective September 1, 2015 and as such I'm subject to the deductible. Is there a way I can contribute the entire maximum set by the IRS for the year?**

Yes, you may contribute the maximum amount for the tax year as allowed by law if the effective date of your QHDHP is other than January 1 and you meet the other eligibility requirements ("full-contribution rule.") However, special guidelines apply.

If you contribute the maximum allowed in any tax year where the QHDHP is in force less than 12 months, regulations require that you remain a qualified individual for every month in the current tax year following the effective date of the QHDHP plus the entire 12 months of the following tax year known as the "testing period."

If you do not remain a qualified individual during the "testing period," then a portion of your contributions are subject to income tax and a 10% additional tax penalty.

Example:

- You purchased QHDHP Self-Only Coverage effective September 1, 2015.
- You may contribute the maximum of \$3,350 for the 2015 taxable year even though your QHDHP was not in effect during the entire 2015 tax year.
- You will need to remain a qualified individual from September 1, 2015 to December 31, 2016 to avoid the contributions being subject to income tax and penalties.
- If you lose eligibility prior to December 31, 2016, for example as of March 1, 2016 the total contributions attributed to the 2015 tax year (\$3,350) less the prorated monthly contributions that were allowed for the months that you were eligible to contribute to an HSA ( $\$3,350/12 \times 4 = \$1,116.68$ ) are subject to income tax and a 10% additional tax penalty. In this example, \$2,233.32 would be subject to income tax and a 10% additional tax penalty. (The excess funds are allowed to remain in the HSA - withdrawing them for a reason other than to pay for qualified medical expenses would increase the penalty by an additional 20%.)

The income tax and the 10% additional tax penalty will not apply if an individual becomes disabled or dies during the "testing period."

You can avoid contributions being subject to the "testing period" requirements if you pro-rate your contributions based on the number of months you are covered by a QHDHP in any given tax year.

***(The information above is provided for illustrations purposes based on IRS guidelines and contribution limits. American Fidelity Health Services Administration does not provide legal or tax advice. Please consult your legal or tax professional for your specific situation.)***

For more information, consult:

---

---



**A member of the American Fidelity Group®**

2000 N. Classen Blvd., 7E  
Oklahoma City, OK 73106

p. (866) 326-3600  
f. (405) 523-5072  
e. HSA-Support@americanfidelity.com  
w. www.afhsa.com