

COMPLIANCE SNAPSHOT

HEALTH SAVINGS ACCOUNTS (HSAs) – WHO IS ELIGIBLE?

Only eligible individuals can establish HSAs and make contributions (or have them made on their behalf). An individual's eligibility for HSA contributions is typically determined monthly as of the first day of the month. In general, an HSA contribution can only be made for months in which the individual meets all the eligibility requirements.

To be HSA-eligible for a month, an individual must:

- + Be covered by a high deductible health plan (HDHP) on the first day of the month;
- + Not be covered by other health coverage that is not an HDHP (with limited exceptions);
- + Not be enrolled in Medicare; and
- + Not be eligible to be claimed as a dependent on another person's tax return.

Employers that are subject to the ACA reporting rules should begin to explore options for filing ACA reporting returns electronically. For example, they may be able to work with a third-party vendor to complete the electronic filing.

In the case of married individuals, each spouse who is an eligible individual who wants to have an HSA must open a separate HSA. Married couples cannot have a joint HSA, even if they are covered by the same HDHP. Also, if another taxpayer is entitled to claim an individual as a dependent, the individual is not eligible for HSA contributions, even if the other person does not actually claim the dependent.

In addition, an individual who is covered by a standard type of health flexible spending account (FSA) (through your employer or your spouse's employer) or health reimbursement arrangement (HRA) cannot make HSA contributions. However, there are certain types of health FSAs and HRAs that are compatible with HSA eligibility, such as post-deductible or limited-purpose health FSAs or HRAs.

ELIGIBILITY CRITERIA

To be HSA-eligible, an individual must:

- + Be covered by a high deductible health plan (HDHP) on the first day of the month;
- + Not be covered by other health coverage that is not an HDHP (with certain exceptions);
- + Not be enrolled in Medicare; and
- + Not be eligible to be claimed as a dependent on another person's tax return.

KEY CONSIDERATIONS

- + Eligibility for HSA contributions is generally determined monthly as of the first day of the month.
- + An individual does not need to be an employee to be eligible for HSA contributions, although nonemployees cannot make pre-tax HSA contributions through a cafeteria plan.
- + Not be enrolled in Medicare; and
- + In general, individuals with coverage under a health FSA or HRA are not HSA-eligible.