

HSA FAQs

What is a Health Savings Account?

A Health Savings Account (HSA) is a tax-exempt trust or custodial account established exclusively for the purpose of paying or reimbursing qualified medical expenses of you, your spouse and your dependents.

Tax Benefits of an HSA

Because federally qualified HSAs are tax-deductible, tax-deferred, and tax-free, you can use your HSA to save money each year on your annual tax return.

Tax-deductible

You and/or your employer can make contributions to your HSA (both of you can contribute in the same tax year) and all contributions are tax-deductible (up to 100% of your contribution or to the IRS maximums).

Tax-deferred

The funds in your HSA earn interest and the interest accumulates tax-deferred. Any withdrawals for qualified medical expenses are tax-free. At age 65, you can use the accumulated savings for non-qualified expenses at normal tax rates.

Tax-free

Because the money is not taxed for withdrawals of qualified medical expenses, the money is tax-free.

CONTINUED ON NEXT PAGE »

Am I eligible for an HSA?

You are eligible for a regular HSA contribution if, with respect to any month, you:

- Are covered under a high-deductible health plan (HDHP) on the first day of such month
- Are not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing preventive care and limited types of permitted insurance and permitted coverage)
- Are not enrolled in Medicare; and
- Cannot be claimed as a dependent on another individual's tax return

What other Health Coverage is allowed for you to still be eligible for an HSA?

- Specific disease or illness insurance and accident, disability, dental care, vision care and long-term care insurance
- Employee Assistance programs, disease management program or wellness program (These programs must not provide significant benefits in the nature of medical care or treatment.)
- Drug discount cards
- Eligibility for VA Benefits (unless you have actually received VA health benefits in the last 3 months)

What is a HDHP?

An HDHP (High Deductible Health Plan) is a plan with an annual deductible no less than the following amounts:

Tax Year 2006 — \$1,050 for Self-only Coverage; \$2,100 for Family Coverage
2007 and later — Subject to Cost of Living Adjustments (COLAs)

Are there other requirements for the HDHP?

Yes. For HSA purposes, the HDHP must limit out-of-pocket expenses to no more than the following amounts:

Tax Year 2006 — \$5,250 for Self-only Coverage; \$10,500 for Family Coverage
2007 and later — Subject to COLAs

CONTINUED ON NEXT PAGE »

How Much Can I Contribute to my HSA?

The maximum annual contribution amount is generally the lesser of 100 percent of the annual deductible under the HDHP or the standard limit.

Additionally, a catch-up contribution is available for eligible individuals who are age 55 or older by the end of their taxable year and have not enrolled in Medicare.

Following are the contribution limits:

2006 — \$2,700 for Self-only; \$5,450 for Family; Catch-up \$700

2007 and later — Subject to COLAs; Catch-up contributions are \$800 in 2007, \$900 in 2008 and \$1,000 in 2009.

How do I Claim the Federal Tax Deduction for my HSA Contribution?

Contributions to an HSA are fully deductible, the earnings grow tax deferred, and distributions to pay or reimburse qualified medical expenses are tax-free.

You may deduct contributions made by anyone other than your employer as long as they do not exceed the maximum annual contribution amount. Employer contributions are not wages for federal income tax purposes.

We recommend contacting your tax advisor before you open a Fox Valley Savings Bank Health Savings Account to ensure you are eligible and that you have a good understanding of the tax implications for both federal and state tax laws.