

Health Spending Accounts Summary

	<u>Health Savings Account (HSA)</u>	<u>Flexible Spending Accounts (FSA)</u>	<u>Health Reimbursement Accounts (HRA)</u>
Summary	Tax-exempt account established with a qualified trustee to cover eligible medical expenses. You must be eligible to contribute, without needing IRS permission.	Allows employees to be reimbursed for medical expenses, typically funded through voluntary salary reduction agreements with your employer.	Solely funded by the employer and cannot involve voluntary salary reductions by employees.
Benefits	<ul style="list-style-type: none"> Employer contributions can be excluded from income. Portability, staying with you through job changes or retirement. 	<ul style="list-style-type: none"> Employer contributions are excluded from your gross income. No employment or federal income taxes are deducted from your contributions. Reimbursements may be tax-free for qualified medical expenses. You can use an FSA to pay for qualified medical expenses even before funds are placed in the account. 	Contributions made by your employer can be excluded from your gross income.
Qualifications	<ul style="list-style-type: none"> Be covered under a high deductible health plan (HDHP) on the first day of the month. Have no other health coverage except as permitted. Not enrolled in Medicare. Not be claimed as a dependent on someone else's tax return. 	<ul style="list-style-type: none"> Health FSAs are established by employers. Self-employed individuals aren't eligible. Certain limitations may apply to highly compensated or key employees. 	Employers have the freedom to design their plans by offering a variety of benefit combinations.
Contributions	<ul style="list-style-type: none"> Eligible individuals, including employees and their employers, can contribute to an HSA. Contributions must be made in cash or payroll deductions. In 2023, contribution limits are \$3,850 for self-only and \$7,750 for family coverage. If you're 55 or older, you can contribute an extra \$1,000 to your HSA. 	<ul style="list-style-type: none"> Contributions are made through voluntary salary reduction. Both employee and employer contributions are tax-free. Salary reduction contributions to a health FSA for 2023 can't exceed \$3,050 or a lower amount set by the plan, subject to inflation adjustments. 	Exclusively funded by employer contributions and cannot be funded through employee salary reductions.
Distributions	<ul style="list-style-type: none"> Tax-free HSA distributions can be used for qualified medical expenses. Report HSA distributions based on their purpose (qualified or non-qualified). 	<ul style="list-style-type: none"> Distributions are for qualified medical expenses incurred during the coverage period. You can't deduct expenses covered by another health plan. 	Distributions from an HRA are primarily for reimbursing qualified medical expenses incurred after you enroll in the HRA.
End of Year Balance	<ul style="list-style-type: none"> Balances carry over to the next year. Earnings within the HSA are not taxed. Ability to invest balances within the HSA. 	<ul style="list-style-type: none"> "Use-it-or-lose-it" plans. Some plans offer a grace period or carryover option. 	<ul style="list-style-type: none"> Can allow funds to roll over from year to year, but they cannot be cashed out, only carried forward. Employers may set limits on total HRA balances, including rollover amounts.
Tax Implications	<ul style="list-style-type: none"> Tax-free interest and earnings. Tax-free distributions for qualified medical expenses. Using distributions for non-qualified purposes can result in income tax and a 20% penalty. Tax deductions for contributions. 	No reporting requirements for FSAs on your income tax return.	Employees receive tax-free reimbursements for qualified medical expenses, typically up to a specified maximum amount.