

An HSA is more than just a savings account for medical expenses.

Learn why a health savings account (HSA) stands out from other savings arrangements.



An HSA provides many benefits.

- ✓ You can **deduct contributions** that you make to your HSA **on your federal income tax return**.
- ✓ Any HSA **contributions** made through payroll deduction **reduce your** federal income **tax liability** and Social Security and Medicare taxes.
- ✓ **Earnings** in your HSA **grow tax-deferred**.
- ✓ HSA **distributions** that you use to pay for qualified medical expenses **are tax-free**.
- ✓ **You are in charge** of your HSA assets.
- ✓ You can **withdraw money** from your HSA **any time**.
- ✓ You can **carry over your HSA balance** from year to year.
- ✓ **You own the HSA** and can take it with you even if you change health plans or employers.

If you don't have an HSA and qualify for one, you might be missing out.

Eligibility

To be eligible to have an HSA, you must be covered under an HSA-compatible high deductible health plan (HDHP). An HDHP generally requires that you pay out of pocket for medical expenses incurred (excluding certain preventive care expenses) until your deductible is met. Plan coverage kicks in after that.

An HDHP may be HSA-compatible if it satisfies the IRS' annual deductible and out-of-pocket expense requirements. But the rules that define an HSA-compatible HDHP can be complicated so check with your insurance provider or employer to see if your health plan is HSA-compatible.

HSA-Compatible HDHP Amounts*

	Year	Self-only coverage	Family coverage
Minimum annual deductible	2025	\$1,650	\$3,300
	2026	\$1,700	\$3,400
Maximum out-of-pocket expenses	2025	\$8,300	\$16,600
	2026	\$8,500	\$17,000

NOTE: *Self-only coverage covers only an individual. Family coverage covers an individual and a spouse and/or one or more dependents.*

In addition to being covered under an HSA-compatible HDHP, you

- cannot be covered by a non-HDHP (with limited exceptions),
- cannot be enrolled in Medicare, and
- cannot be eligible to be claimed as a dependent on another person's tax return.

HSA eligibility is determined as of the first day of each month.

Contributions

If you're eligible to contribute to an HSA for the entire year, you can contribute up to the annual statutory limit for the type of HDHP coverage you have (self-only or family). If you're age 55 or older, you can make an additional "catch-up" contribution of up to \$1,000. If you are not eligible for the entire year, you can still contribute the maximum contribution amount if you remain HSA-eligible throughout a 13-month "testing period." If you do not remain HSA-eligible during the testing period, then the annual limit is prorated to the number of months that you are eligible.

HSA Contribution Limits*

Year	Self-only coverage	If age 55 or older	Family coverage	If age 55 or older
2025	\$4,300	\$5,300	\$8,550	\$9,550
2026	\$4,400	\$5,400	\$8,750	\$9,750

If both you and your spouse have family coverage and are HSA-eligible, one annual family contribution limit applies to both of you and may be split between your HSAs in any way you choose. For example, for 2025, you could contribute \$4,275 to your HSA and your spouse could contribute \$4,275 to his HSA, for a total of \$8,550, the 2025 family contribution limit. Note that if both you and your spouse are each eligible for a catch-up contribution, the catch-up amounts cannot be combined into one HSA.

Contributions can be made in any amount throughout the year until your tax return due date (generally April 15) for that year, not to exceed your annual limit. Any contributions made on your behalf by your employer or anyone else are included in your one annual limit.

As long as you cannot be claimed as a dependent on another person's tax return, you can deduct HSA contributions made by yourself and your spouse (not those made by your employer).

Distributions

You will not have to pay income tax or penalty tax on the money withdrawn from your HSA for qualified medical expenses. Qualified medical expenses generally include most medical, dental, and vision care expenses not covered by insurance that are incurred by you, your spouse, or your dependents after your HSA is opened. IRS Publication 502, *Medical and Dental Expenses*, contains a partial list of qualified medical expenses.

HSA distributions that are not used for qualified medical expenses are subject to ordinary income tax and, if taken before age 65, a 20 percent penalty tax (unless the HSA assets are distributed after you become disabled or die).

You may want to visit with a competent tax advisor before making HSA contributions or taking HSA distributions.

For More Information

We'd be happy to answer your HSA questions.

*Subject to annual cost-of-living adjustments.

