

HSA Frequently Asked Eligibility Questions

1. Am I eligible for an HSA if I have the HDHP plan and am also covered under my spouse's non-HDHP health plan?

No. One of the eligibility requirements for an HSA is that you do not have any other health coverage that does not qualify as a high deductible health plan. If you are covered on your spouse's non-HDHP, you do not meet the requirements of an eligible individual and you can not establish an HSA.

2. Can I have an HSA if my husband has non-qualifying family coverage with his employer and is also on my HDHP plan?

Yes, as long as you are not covered by his coverage with his employer and as long as you meet the other eligibility requirements of an HSA. "Family HDHP coverage is a health plan covering one eligible individual and at least one other individual (whether or not the other individual is an eligible individual)." (U.S. Treasury – HSA Frequently Asked Questions, Q12). The Treasury Department and IRS announced a ruling on April 13, 2005 confirming that "an individual can be eligible to contribute to a Health Savings Account (HSA) even if his or her spouse has non-qualifying family coverage, provided the spouse's coverage does not cover the individual."

3. Am I eligible for an HSA if my child has Medicaid?

Yes. HSA eligibility does not depend on your income, your earned income, who is primary policy holder, or the insurance coverage of your children.

4. Q-31. How do the maximum annual HSA contribution limits apply to family HDHP coverage that may include an ineligible individual? http://www.irs.gov/irb/2004-33_IRB/ar08.html

A-31. The maximum annual HSA contribution for a married couple with family HDHP coverage is the lesser of: (1) the lowest HDHP family deductible applicable to the family (minimum \$2,000) or (2) the section 223(b)(2)(B) statutory maximum (\$5,150 in 2004). Although the special rule for married individuals in section 223(b)(5) generally allows a married couple to divide the maximum HSA contribution between spouses, if only one spouse is an eligible individual, only that spouse may contribute to an HSA (notwithstanding the treatment under section 223(b)(5)(A) of both spouses as having only family coverage). For an HDHP with embedded individual deductibles see Q&A 30.

The following examples are an exact copy of the examples listed on the above web site, except HMC's deductibles for individual and family coverage for the HDHP 2650 plan have been used.

Example (1). In 2004, H and W are a married couple and neither qualifies for catch-up contributions under section 223(b)(3). H and W have family HDHP coverage with a \$4,000 deductible. H is an eligible individual and has no other coverage. W also has self-only coverage with a \$200 deductible. W, who has coverage under a low-deductible plan, is not an eligible individual. H may contribute \$4,000 (the lesser of \$4,000 or \$5,150) to an HSA while W may not contribute to an HSA.

Example (2). The same facts as Example 1, except that, in addition to the family HDHP with a \$4,000 deductible, W has self-only HDHP coverage with a \$2,650 deductible rather than self-only coverage with a \$200 deductible. Both H and W are eligible individuals. H and W are treated as having only family coverage under section 223(b)(5). The maximum combined HSA contribution by H and W is \$4,000, to be divided between them by agreement.

Example (3). The same facts as Example 1, except that, in addition to the family HDHP with a \$5,000 deductible, W has family HDHP coverage with a \$3,000 deductible rather than self-only coverage with a \$200 deductible. Both H and W are eligible individuals. H and W

are treated as having family HDHP coverage with the lowest annual deductible under section 223(b)(5)(A). The maximum combined HSA contribution by H and W is \$3,000, to be divided between them by agreement.

Example (4). The same facts as Example 1, except that, in addition to family coverage under the HDHP with a \$4,000 deductible, W has family coverage with a \$500 deductible rather than self-only coverage with a \$200 deductible. H and W are treated as having family coverage with the lowest annual deductible under section 223(b)(5)(A). Neither H nor W is an eligible individual and neither may contribute to an HSA.

Example (5). The same facts as Example 1, except that, in addition to the family HDHP with a \$4,000 deductible, W is enrolled in Medicare rather than having self-only coverage with a \$200 deductible. W is not an eligible individual. H may contribute \$4,000 to an HSA while W may not contribute to an HSA.

Example (6). Individual X is a single individual who does not qualify for catch-up contributions. X is an eligible individual and has a dependent. X and his dependent have family HDHP coverage with a \$4,000 deductible. The dependent also has self-only coverage with a \$200 deductible. X may contribute \$4,000 to an HSA while the dependent may not contribute to an HSA.

Situation 1, Revenue Ruling 2005-25; http://www.irs.gov/irb/2005-18_IRB/ar07.html#d0e170

H and W are a married couple and both are age 35. Throughout 2005, H has self-only coverage under a high deductible health plan (HDHP) as defined in section 223(c)(2) with an annual deductible of \$2,000. H has no other health coverage, is not enrolled in Medicare and may not be claimed as a dependent on another taxpayer's return. W has non-HDHP family coverage for W and H's and W's two dependents, but H is excluded from W's coverage.

In Situation 1, H has HDHP self-only coverage and no other health coverage, is not enrolled in Medicare and may not be claimed as a dependent on another taxpayer's return. Although W has non-HDHP family coverage, H is not covered under that health plan. H is therefore an eligible individual as defined in section 223(c)(1). The special rules for married individuals under section 223(b)(5) do not apply because W's non-HDHP family coverage does not cover H. Thus, H remains an eligible individual and H may contribute up to \$2,000 to an HSA (lesser of the HDHP deductible for self-only coverage or \$2,650) for 2005. H may not make the catch-up contribution under section 223(b)(3) because H is not age 55 in 2005. W has non-HDHP coverage and is therefore not an eligible individual.

Situation 2

The same facts as Situation 1, except that H has HDHP family coverage as defined in section 223(c)(2) for H and one of H's and W's dependents with an annual deductible of \$5,000. W has non-HDHP family coverage for W and H's and W's other dependent. H is excluded from W's coverage.

In Situation 2, H has HDHP family coverage for one of H's and W's dependents and W has non-HDHP family coverage for W and H's and W's other dependent. Because the non-HDHP family coverage does not cover H, the special rules in section 223(b)(5) do not affect H's eligibility to make HSA contributions up to H's annual HSA contribution limit. H may therefore contribute up to \$5,000 to an HSA (the lesser of the family HDHP deductible or \$5,250). W has non-HDHP coverage and is therefore not an eligible individual.

SPECIAL RULES FOR MARRIED INDIVIDUALS

Employee's Health Coverage (otherwise eligible individual)	Spouse's Health Coverage	HSA "Eligible Individual" (assuming otherwise eligible)
Self-only HDHP \$2,650 deductible no other coverage	Self-only HDHP \$2,000 deductible	Employee = HSA eligible (\$2,650) Spouse = is eligible (\$2,000)
Example 1 Family HDHP \$4,000 deductible no other coverage	Self-only non-HDHP \$200 deductible	Employee = HSA eligible (\$4,000) Spouse = not eligible
Example 2 Family HDHP \$4,000 deductible no other coverage	Self-only HDHP \$2,650 deductible	Both eligible. Both treated as having family coverage. Combined HSA max contribution can't exceed Family deductible (\$4,000)
Example 3 Family HDHP \$4,000 deductible no other coverage	Family HDHP \$3,000 deductible	Both eligible. Treated as having family coverage w/ lowest deductible. Max combined contribution is lowest deductible (\$3,000)
Example 4 Family HDHP \$4,000 deductible has coverage w/ spouse	Family non-HDHP \$500 deductible	Neither is eligible. Treated as having family coverage w/ lowest deductible, the non-HDHP deductible (\$500) *Could be eligible if employee not covered by spouse's coverage.
Example 5 Family HDHP \$4,000 deductible no other coverage	Medicare	Employee = HSA eligible (\$4,000) Spouse = not eligible
Example 6 Family HDHP (Single Parent w child claimed as tax dependent)	No Spouse Child has non-HDHP for self-only	Employee is eligible for HSA, even if child is covered by employee's HDHP and other non-HDHP coverage
Rev.Rul.2005-25, Situation 1 Self-only HDHP No other coverage	Family non-HDHP	Employee = eligible for HSA Spouse = not eligible
Rev.Rul.2005-25, Situation 2 Family HDHP (self + child) No other coverage	Family non-HDHP (self + 1 other child)	Employee = eligible for HSA if spouse's family coverage does not cover employee Spouse = not eligible

Special Rules For Married Individuals; Section 223(b)(5)

- In general, if either spouse has family coverage, both spouses are treated as having only such family coverage. If each spouse has family coverage under different health plans, both spouses are treated as having family coverage under the plan with the lowest deductible. However, if a spouse has HDHP family coverage and the other spouse has non-HDHP self-only coverage, the spouse with the HDHP family coverage is an eligible individual and may contribute to an HSA.
- April 13, 2005 Treasury and IRS ruling: an individual can be eligible to contribute to a Health Savings Account even if his or her spouse has non-qualifying family coverage, provided the spouse's coverage does not cover the individual.