



Health Savings Account

Tax Reporting

Save Your Receipts

HSA owners are permitted to pay for medical, vision, dental, hearing and certain insurance premium expenses with the money deposited into their account. Money spent on these types of expenses is considered a **tax-free** distribution.

If the IRS audits you personally, the HSA owner, you must provide receipts showing any HSA distribution was spent on "qualifying" expenses.

Keep documentation of the items you purchased from your HSA for 7 years along with your tax return. This will keep everything together in case of a personal IRS audit.

The IRS is going to want to see "itemized" receipts that show:

- who the expense was for, and
- what the expense was, and
- when the qualifying good or service was purchased, and
- who was the provider of the expense, and
- how much insurance paid, if any.
- Explanation of Benefits (EOBs) for medical and prescriptions is ideal
- Proof of HSA-eligible medical insurance coverage may be required
- If you purchase ineligible expenses, you must pay tax + 20% penalty. If you are age 65+, you must only pay tax (no penalty).

Form 8889

- HSA owners must file a Form 8889 along with their personal tax return.
- You do not need to mail your receipts with the Form 8889, you should simply keep them on file in case of an IRS audit.
- HSA owners must file a long tax form.
- Form 8889 and instructions can be found at <https://www.irs.gov/forms-pubs/about-form-8889>.
- **If you are contributing to an HSA for the first time, you do not need to file a Form 8889 until the following year.**

1099-SA and 5498-SA

- Your custodial bank will send two forms to your home each year. Both forms are for your reference and do not need to be submitted with your personal tax return. **If you are contributing to an HSA for the first time, you will not receive these forms until the following year.**
- Form 1099-SA = withdrawals from your HSA in a year. This form is generally mailed to you in January. Some custodians do not mail form 1099-SA if there were zero withdrawals from the health savings account.
- Form 5498-SA = contributions to your HSA in a year. Most custodians only mail this form to your home in May because the IRS permits contributions through April 15.

Miscellaneous Contribution Reminders

- As a reminder, if there were HSA contributions made to your HSA outside of your employer, you must remember to deduct the contribution on your personal tax return. Examples include if you contributed post-tax from your personal checking account, or there were contributions made on your behalf by a relative.
- You are legally permitted to make changes to your pre-tax deductions through payroll at least once per month.