



Volunteer Income Tax Assistance

UNIVERSITY OF GEORGIA

Health Savings Account

Saving for Future Health Expenses



What is an HSA?

A health savings account, also known as an HSA permits individuals to save money on a pretax basis towards qualifying medical expenses.

You can apply HSA funds towards deductibles and other out-of-pocket medical expenses

You must be enrolled in a high-deductible health plan to open an HSA.

Qualified Expenses

HSA distributions may be used for the following:

- Dental Care
- Drug Prescriptions
- Vision Care
- Physical Therapy
- Birth Control
- Doctor Visits
- Vaccines

Contribution Limits

Maximum contributions for 2023:

- Individual Coverage: \$3,800
- Family Coverage: \$7,750

Individuals age 55 and older can contribute an additional \$1,000 to their HSA each year as a "catch-up" contribution.

Disadvantages of an HSA

Although an HSA can provide many great savings benefits, be aware of the following disadvantages:

- HDHPs and HSAs are associated with high deductibles which may leave you in a precarious position if you face a health emergency.
- Some HSA plans require monthly service fees.
- Taxes and Penalties apply if non-qualified withdrawals are made before age 65.

How to qualify for an HSA?

In order to qualify to open an HSA, you must meet the following requirements:

- *Must be enrolled or covered under high-deductible health savings plans (HDHPs) and have no other health coverage.*
- *Must have a minimum HDHP deductible which is at least \$1,500 for an individual or \$3,000 for a family.*
- *Must NOT be eligible or enrolled in Medicare*
- *Must NOT be claimed as a dependent on someone else's tax return*

Why should you open an HSA?

Tax Benefits of Contributions

- *By investing in an HSA, you reduce your taxable income because money contributed to your account is on a pre-tax basis.*
- *Distributions from your HSA account used towards qualified medical expenses are NOT taxed.*

No Withdrawal Penalty for Elderly/Disabled

- *Typically, a 20% penalty is applied when you use your HSA towards non-qualified medical expenses. However, this penalty is waived if you are elderly or disabled.*
- *People over 65 OR disabled will not pay a withdrawal penalty, but their non-qualified distributions will still be taxed. An HSA can be a great tool for retirement.*

Investment Benefits

- *An HSA is a form of investment account. As a result, you have the freedom to choose where your HSA funds are invested.*
- *Interest earned on your HSA investment is NOT federally taxed.*
- *Pre-tax contributions mean that more money is invested in your HSA account and gives you more money that will grow over time.*
- *HSA funds roll over each year, so your HSA never expires.*

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