



## Important Tips and Reminders Regarding your HSA

Health Savings Accounts (HSA) are accounts for individuals and families covered by certain high-deductible health insurance plans. HSAs allow for tax-deductible contributions and tax-free distributions if used for qualified medical expenses. Certain U.S. Internal Revenue Service (IRS) rules apply.

### Important Notice

As of January 1, 2021, your HSA account will have a new fee structure:

- A. \$1.50 monthly fee waived if \$500 minimum daily balance is maintained.
- B. Paper statement fee of \$3.00 per month (fee is waived if you sign up for electronic statements -OR- if \$500 minimum daily balance is maintained).
- C. Dormant account fee of \$5.00 per month if the account goes into dormant status.

- HSA owners must use the funds in their account for qualified medical expenses. Money withdrawn for an unqualified expense is taxable as income and, if withdrawn before age 65, subject to an additional 20% tax penalty.
- HSA owners are responsible for determining whether their HSA distributions (withdrawals) are qualified or nonqualified. For specific guidance, please refer to IRS Publication 502, which can be found at [www.irs.gov](http://www.irs.gov), or consult your tax advisor.
- Document your HSA transactions by retaining your receipts and monthly account statements. You may only spend the balance available in your account.
- IRS rules prohibit an extension of credit (overdraft) on HSA accounts. Because of this IRS rule, overdrafts may result in account closure and IRS penalties. Ask about ways to prevent an overdraft on your HSA at your nearest 1st Source Banking Center.
- Once a year, 1st Source will send you a summary of your contributions (deposits) on IRS Form 5498-SA and your distributions (withdrawals) on IRS Form 1099-SA for tax purposes. You must report your use of HSA funds on Form 8889 and file it with your yearly tax documents.
- Each year the IRS determines maximum contribution levels for HSAs. Contributions above these levels can result in IRS penalties. Consult your banker or a tax advisor for current year contribution levels, or visit [1stsource.com/hsa](http://1stsource.com/hsa).
- HSAs & Medicare: The IRS does not allow you to contribute to an HSA and also receive the health premium savings that Medicare provides. If you begin taking Social Security payments past the age of 65, you may receive up to 6 months of retroactive Medicare benefits. To avoid a tax penalty you must stop contributing to your HSA beginning with the first month you are enrolled in Medicare. Contact Social Security and your tax advisor to find out all the details regarding your situation.

*Consult your tax advisor for additional HSA information.*

