HEALTH SAVINGS ACCOUNT (HSA) - UMB BANK

When you enroll in Louisiana Machinery's High Deductible Health Plan, you have the option to open a Health Savings Account (HSA). HSA funds can be used to pay for eligible medical, dental and vision expenses for you and your eligible dependents, including deductibles, coinsurance, prescriptions, acupuncture and more, tax-free, now and in the future. Family members do not need to be covered under your plan in order to use the HSA funds.

HOW IT WORKS

With the HSA, you are in charge. You decide:

- How much you'll contribute;
- When to pay for eligible expenses with HSA funds directly (*you can also reimburse yourself from the account*);
- How and if you want to invest your HSA funds (*a balance of at least $2,000 is required to invest*); and
- Whether to save HSA funds for future expenses or retirement.

The HSA offers significant tax savings: Contributions are exempt from federal income tax (state tax treatment varies), payments/ withdrawals for eligible expenses are tax-free and earned interest is not taxed. Your HSA funds be- long to you even if you change jobs or retire and unused funds roll over from year to year.

IRS REGULATIONS

- Must be enrolled in an IRS-qualified High Deductible Health Plan
- You cannot be covered by any other medical plan, entitled to Medicare benefits or be eligible to be claimed as a dependent on another person's tax return
- See **Publication 502** at www.IRS.gov for eligible expenses
- For proof of expense eligibility, save receipts

CONTRIBUTIONS

To contribute to your HSA, you can:

- Elect an annual contribution that will be divided into equal amounts and withdrawn, before taxes, from your paycheck all year; and/or
- Make a deposit of your own using post-tax funds at any time during the year (and claim a tax credit)

You are not required to contribute to your HSA.

ANNUAL IRS CONTRIBUTION LIMITS

The IRS limits the total amount that can be contributed to your HSA from all sources.

For 2023, IRS contribution limits are:

- *Employee Only Coverage: $3,850*
- *Family coverage levels: $7,750*
- Age 55+ catch up contributions are $1,000

For 2024, IRS contribution limits are:

- *Employee Only Coverage: $4,150*
- *Family Coverage: $8,300*
- Age 55+ catch up contributions are $1,000

If you are enrolled in the EHDHP Option 2, Louisiana Machinery will match dollar for dollar up to $62.50 per month into your HSA account

NOTE: HSA Contribution Limits are Calendar Year, NOT Plan Year (IRS Guidelines).

If you are "enrolled" in Medicare, you are able to enroll in the EHDHP, however, you are NOT eligible to contribute to the HSA.

HSA Beneficiaries

QUESTION: Do I need to designate a beneficiary for my HSA account?

ANSWER: You are **not required** to name a beneficiary; however, you should name a beneficiary for your HSA, just as you would for your company retirement plan. After your death, any funds remaining in your HSA are payable to the beneficiary you named on the account. If one is not designated it will be transferred to the spouse. For someone other than a spouse, the tax benefits of account ownership do not transfer.

Naming Your Spouse

If you name a spouse as your HSA beneficiary, at your death the HSA will become your spouse's own HSA. They can maintain the HSA in their own name and can continue to access the funds. Distributions for qualified medical expenses will be income tax free. The spouse does not need to have HSA-eligible health insurance to continue to hold the HSA. However, if they do and they are eligible, they may make contributions to the HSA.

Naming Your Children

You may also name children or other non-spouses a beneficiary. However, the account value of the HSA account becomes taxable to the non-spouse beneficiary in the year of the account holder's death. That means the entire account will be taxable in one year.

The amount taxable to the beneficiary is reduced by any qualified medical expenses for the deceased HSA owner that are paid by the beneficiary within one year after the date of death.

Naming Your Estate

It is also possible to name an estate as an HSA beneficiary. There is a special rule that applies if the beneficiary of an HSA is the estate. If the estate is the beneficiary, then the total distribution is included on the deceased HSA owner's final tax return.

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		Spouse 1				
		No Coverage	**Self-Only Non-HDHP**	**Self-Only HDHP**	**Family Non-HDHP**	**Family HDHP**
Spouse 2	**No Coverage**	Neither person is eligible to contribute to an HSA.	Neither person is eligible to contribute to an HSA.	Spouse 1 is eligible and may contribute up to $3,850, but spouse 2 is not eligible to contribute to an HSA.	Neither person is eligible to contribute to an HSA.	Spouse 1 is eligible and may contribute up to $7,750, but spouse 2 is not eligible to contribute to an HSA unless he/she is covered under spouse 1's HDHP. In this case the maximum combined contribution of $7,750 must be divided between them based on agreement.
	Self-Only Non-HDHP	Neither person is eligible to contribute to an HSA.	Neither person is eligible to contribute to an HSA.	Spouse 1 is eligible and may contribute up to $3,850, but spouse 2 is not eligible to contribute to an HSA.	Neither person is eligible to contribute to an HSA.	Spouse 1 is eligible and may contribute up to $7,750, but spouse 2 is not eligible to contribute to an HSA.
	Self-Only HDHP	Spouse 2 is eligible and may contribute up to $3,850, but spouse 1 is not eligible to contribute to an HSA.	Spouse 2 is eligible and may contribute up to $3,550, but spouse 1 is not eligible to contribute to an HSA.	Both people are eligible to have their own HSA and the maximum that can be contributed to each HSA is $3,850.	Neither is eligible to contribute unless spouse 2 is not covered under spouse 1's non-HDHP plan. In that case spouse 2 may contribute up to $3,850 to an HSA.	Both people are eligible and treated as if they have family coverage. Their maximum combined contribution of $7,750 must be divided between them based on agreement.
	Family Non-HDHP	Neither person is eligible to contribute to an HSA.	Neither person is eligible to contribute to an HSA.	Neither is eligible to contribute unless spouse 1 is not covered under spouse 2's non-HDHP plan. In that case spouse 1 may contribute up to $3,850 to an HSA.	Neither person is eligible to contribute to an HSA.	Spouse 1 is only eligible to contribute up to $7,850 if he/she is not covered under spouse 2's non-HDHP plan. Spouse 2 is not eligible to contribute to an HSA.
	Family HDHP	Spouse 2 is eligible and may contribute up to $7,750, but spouse 1 is not eligible to contribute to an HSA unless he/she is covered under spouse 2's HDHP. In this case the maximum combined contribution of $7,750 must be divided between them based on agreement.	Spouse 2 is eligible and may contribute up to $7,100, but spouse 1 is not eligible to contribute to an HSA.	Both people are eligible and treated as if they have family coverage. The maximum combined contribution of $7,750 must be divided between them based on agreement.	Spouse 2 is only eligible to contribute up to $7,750 if he/she is not covered under spouse 1's non-HDHP plan. Spouse 1 is not eligible to contribute to an HSA.	Both people are eligible and treated as if they have family coverage. The maximum combined contribution of $7,750 must be divided between them based on agreement.

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