

What to Expect When It's Tax Time

Information for Employers

February 2018

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Purpose

- The purpose of this presentation is to provide general information about the tax reporting provided and required for HSA account holders.
- HSA accounts are individually owned and managed. It is the responsibility of the individual account holder to provide the appropriate information as part of their tax return.

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Tax Filing Information for HSAs

- Employers will provide disclosure on the W-2 (Box 12-W) for payroll contributions pertaining to employee and employer contributions.
- Contributions made outside of payroll by account holders are not included in W-2 reporting.
- Account holders will receive tax forms 1099-SA and 5498-SA (mailed and available online at the end of January).
- Account holders must obtain [IRS Form 8889](#). It is downloadable from [irs.gov](#) or from [mybenefitwallet.com](#) (or the website on the account holder's statement) and going to
 - 'My Accounts' in the top navigation bar, then select 'My Tax Forms' from the drop down list
- Account holders must report HSA **contributions** and **distributions** on their 2017 tax filing through the IRS Form 8889.

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W-2 and Box 12-W

- Pre-tax employee contributions and employer contributions are reported in aggregate in Box 12-W on the W-2.
- These amounts (in Box 12) are neither deductible nor taxable for federal income tax purposes.
- Three states (**Alabama, California and New Jersey**) do not currently conform to the federal tax provisions on taxation of HSA contributions.
- In Alabama, HSA contributions are free from state income tax if they are made through a Section 125 plan.
- Two states – New Hampshire and Tennessee – do not tax contributions to the HSA, but they do tax HSA earnings.

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Tax Forms Issued by BNY Mellon

- A consolidated mailing of the 2017 1099-SA and 5498-SA forms will be mailed by January 31, 2018. The forms will also be available online.
- Account holders with only HSA contributions will receive only the 5498-SA form.
- 1099-SA forms is issued to report other distributions (i.e., return of excess contributions, death or disability distributions) and will be mailed separately.
- PDFs of both the 1099-SA and the 5498-SA forms are downloadable online at mybenefitwallet.com (or the website on the account holder's statement) and going to:
 - 'My Accounts' in the top navigation bar, then select 'My Tax Forms' from the drop down list

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Making Contributions in 2018 for 2017

For account holders making contributions in 2018 for 2017 (prior year contributions), they must post the 2017 contributions by April 17, 2018 and updated 5498-SAs will be issued by May 31, 2018.

Posting of 2017 payroll contribution processing in 2018 may be verified the next business day:

By the employer for a contribution through payroll processing. Log on and select the “Reporting” tab, then select “Subaccount Transactions”, then select “2017” for the year.

By the account holder/employee:

- Log on to mybenefitwallet.com (or the website on the account holder’s statement) by going to ‘My Accounts’ in the top navigation bar, then select ‘My Tax Forms’ from the drop down list;
- By calling The BenefitWallet Service Center. After authentication, select Option# 2. For 2017 information, select PRIOR year;
- Account holder statement will indicate the posting and indicate it as PRIOR Year.

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Sample Tax Form Mailing

Forms as issued are included in one envelope. Informational text displays below the form.

Form 5498-SA

2727 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1518		2017 HSA, Archer MSA, or Medicare Advantage MSA Information
TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Employee or self-employed person's Archer MSA contributions made in 2017 and 2018 for 2017		
		\$		Form 5498-SA
		2 Total contributions made in 2017		
		\$		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2017 General Instructions for Certain Information Returns.
TRUSTEE'S federal identification number	PARTICIPANT'S social security number	3 Total HSA or Archer MSA contributions made in 2018 for 2017		
		\$		
PARTICIPANT'S name		4 Rollover contributions	5 Fair market value of HSA, Archer MSA, or MA MSA	
		\$		
Street address (including apt. no.)		6 HSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		Archer MSA <input type="checkbox"/>		
Account number (see instructions)		MA MSA <input type="checkbox"/>		
Form 5498-SA		Cat. No. 38467V		www.irs.gov/form5498sa
Department of the Treasury - Internal Revenue Service				
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page				

Form 1099-SA

9494 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-1517		2017 Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number				
				Form 1099-SA
		2 Earnings on excess cont.		
PAYER'S federal identification number	RECIPIENT'S identification number	1 Gross distribution	\$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2017 General Instructions for Certain Information Returns.
		\$		
RECIPIENT'S name		3 Distribution code	4 FMV on date of death	
		\$		
Street address (including apt. no.)		5 HSA <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		Archer MSA <input type="checkbox"/>		
Account number (see instructions)		MA MSA <input type="checkbox"/>		
Form 1099-SA		Cat. No. 38471D		www.irs.gov/form1099sa
Department of the Treasury - Internal Revenue Service				
Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page				

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IRS Forms 1099-SA and 5498-SA

Form 1099-SA reports distributions from the HSA account that posted during the reported year.

- A distribution includes: debit card transactions, including ATM use, checks written and health plan claims paid directly from the account.
- It does not include:
 - Any fees (set-up, maintenance, additional debit cards or checkbooks or NSF fees) deducted from the account;
 - Investment transactions within integrated investment portal
 - Payroll-based debits;
 - Checks or debit card transactions for an expense that occurred in 2017 but not paid for with HSA funds in 2017

The 1099-SA and 5498-SA do not need to be submitted with the income tax form.

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IRS Forms 1099-SA and 5498-SA

Form 5498-SA reports contributions to the HSA account that posted during 2017 or for 2017.

Form 5498-SA includes:

- Contributions posted in 2017 that were for the 2016 tax year (Box 2);
- Contributions submitted through payroll processing;
- Any personal contributions made by the account holder/employee;
- Contributions made in and for 2017 (Box 2);
- Contributions posting in 2018 that were for the 2017 tax year (Box 3).

Form 5498-SA also displays the account's Fair Market Value, including investment valuation as of December 31 (presented as one value).

Amended Form 5498-SA will be issued to account holders with additional 2017 contributions posting in 2018 (as a prior year contribution). These forms will be issued by May 31, 2018.

Note: All 2017 contributions must post by **April 17, 2018**.

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Form 8889

- Account holders are required to complete Form 8889 as part of the federal tax filing.
- If both spouses have an HSA, then two forms are required (one for each account).
- IRS Form 8889 must be filed by a taxpayer if any of the following apply:
 - if you, or someone on your behalf including your employer, made contributions to your HSA during the tax year;
 - if you, as account holder; benefited from HSA distributions during the tax year (i.e., paid qualified medical expenses);
 - you acquired an interest in an HSA because of the death of the account beneficiary

Form 8889 must be filed by April 17, 2018 or the taxpayer's tax filing deadline. The form is used to:

1. report health savings account contributions;
2. figure your HSA deduction (deduction is not permitted for pre-tax payroll contributions, or employer contributions); and
3. report distributions from HSAs.

Form 8889 and the instructions to complete Form 8889 are downloadable from mybenefitwallet.com (or the website on the account holder's statement). They are also available from irs.gov.

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Form 8889 – Contribution Section

Form 8889		Health Savings Accounts (HSAs)		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040 or Form 1040NR. ▶ Go to www.irs.gov/Form8889 for instructions and the latest information.		2017 Attachment Sequence No. 52	
Name(s) shown on Form 1040 or Form 1040NR		Social security number of HSA beneficiary. If both spouses have HSAs, see instructions ▶			

Before you begin: Complete Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, if required.

Part I HSA Contributions and Deduction. See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part I for each spouse.

		<input type="checkbox"/> Self-only	<input type="checkbox"/> Family
1	Check the box to indicate your coverage under a high-deductible health plan (HDHP) during 2017 (see instructions) ▶		
2	HSA contributions you made for 2017 (or those made on your behalf), including those made from January 1, 2018, through April 17, 2018, that were for 2017. Do not include employer contributions, contributions through a cafeteria plan, or rollovers (see instructions)	2	
3	If you were under age 55 at the end of 2017, and on the first day of every month during 2017, you were, or were considered, an eligible individual with the same coverage, enter \$3,400 (\$6,750 for family coverage). All others , see the instructions for the amount to enter	3	
4	Enter the amount you and your employer contributed to your Archer MSAs for 2017 from Form 8853, lines 1 and 2. If you or your spouse had family coverage under an HDHP at any time during 2017, also include any amount contributed to your spouse's Archer MSAs	4	
5	Subtract line 4 from line 3. If zero or less, enter -0-	5	
6	Enter the amount from line 5. But if you and your spouse each have separate HSAs and had family coverage under an HDHP at any time during 2017, see the instructions for the amount to enter	6	
7	If you were age 55 or older at the end of 2017, married, and you or your spouse had family coverage under an HDHP at any time during 2017, enter your additional contribution amount (see instructions)	7	
8	Add lines 6 and 7	8	
9	Employer contributions made to your HSAs for 2017	9	
10	Qualified HSA funding distributions	10	
11	Add lines 9 and 10	11	
12	Subtract line 11 from line 8. If zero or less, enter -0-	12	
13	HSA deduction. Enter the smaller of line 2 or line 12 here and on Form 1040, line 25, or Form 1040NR, line 25	13	

Caution: If line 2 is more than line 13, you may have to pay an additional tax (see instructions).



Row 2 - For most this is \$0 as contributions through payroll and by the employer are reported on the W-2 in box 12. Contributions submitted directly by the employee (i.e., personal check contribution) should be reported here.

Row 4 is for MSA contributions; not HSA.

Row 9 is where the amount that was contributed through employer payroll processing is reported. This includes the employer-funded amount **plus any pre-tax payroll contributions**. The IRS considers employee pre-tax payroll contributions to be *Employer* contributions which is why you don't have to pay taxes on them (in most cases). This amount is found in Box 12-W on your W-2.

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Form 8889 – Distribution Section

Part II HSA Distributions. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part II for each spouse.		
14a	Total distributions you received in 2017 from all HSAs (see instructions)	14a
14b	Distributions included on line 14a that you rolled over to another HSA. Also include any excess contributions (and the earnings on those excess contributions) included on line 14a that were withdrawn by the due date of your return (see instructions)	14b
14c	Subtract line 14b from line 14a	14c
15	Qualified medical expenses paid using HSA distributions (see instructions)	15
16	Taxable HSA distributions. Subtract line 15 from line 14c. If zero or less, enter -0-. Also, include this amount in the total on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to line 21, enter "HSA" and the amount	16
17a	If any of the distributions included on line 16 meet any of the Exceptions to the Additional 20% Tax (see instructions), check here <input type="checkbox"/>	
17b	Additional 20% tax (see instructions). Enter 20% (0.20) of the distributions included on line 16 that are subject to the additional 20% tax. Also include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter "HSA" and the amount on the line next to the box	17b

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37621P **Form 8889** (2017)

14

15

16/17

Part II is the section to report distributions from your HSA during the reporting tax year

Line 14 – report the total distributions from your HSA as reported on the Form 1099SA issued.

Line 15 – report the unreimbursed qualified medical expenses for which payment or reimbursement of prior payment occurred in the tax year . The qualified medical expenses may or may not have been incurred only in the reported year. Qualified medical expenses incurred after the establishment of the HSA may be reimbursed in any tax year. This number will likely not match the sum of health plan Explanation of Benefits (EOB) forms.

Lines 16 & 17 – self-report to the IRS any amounts spent from your HSA that were **not** for qualified medical expenses plus the penalty.

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Form 8889 – Failure to Maintain Coverage Section

Form 8889 (2017)		Page 2	
Part III Income and Additional Tax for Failure To Maintain HDHP Coverage. See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part III for each spouse.			
18	Last-month rule	18	
19	Qualified HSA funding distribution	19	
20	Total income. Add lines 18 and 19. Include this amount on Form 1040, line 21, or Form 1040NR, line 21. On the dotted line next to Form 1040, line 21, or Form 1040NR, line 21, enter "HSA" and the amount	20	
21	Additional tax. Multiply line 20 by 10% (0.10). Include this amount in the total on Form 1040, line 62, or Form 1040NR, line 60. Check box c on Form 1040, line 62, or box b on Form 1040NR, line 60. Enter "HDHP" and the amount on the line next to the box	21	

Form **8889** (2017)

There may be instances where you are required to maintain high deductible health plan (HDHP) coverage for certain periods of time. The Instructions to Form 8889 provide details regarding when this coverage is required.

This section is to be completed to calculate and report any income and additional tax for failure to maintain HDHP coverage for 12 consecutive months after:

- You became an eligible individual on or before December 1, you are considered to be eligible the entire year.
- You had a qualified FSA or HRA rollover.
- You transferred your traditional IRA or Roth IRA to your HSA.

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Review: Maximum Contribution

Federal law sets the maximum contribution amount – it is determined by (1) level of plan coverage (Single or Family); and (2) if the account holder has reached or will reach age 55 in the tax year.

- If employee and spouse each have their own HSA, then the contributions for both accounts combined cannot exceed the Family maximum amount.

For 2017, the maximum contributions (combination of employee and employer contributions) are:

- Single Coverage \$3,400
- Family Coverage \$6,750
- Catch-up Contribution \$1,000

Account holders who recognize they have over-contributed may avoid the 6% penalty by submitting a request for Return of Excess Contribution by April 17, 2018. The Excess Contribution form is available in the account holders online at mybenefitwallet.com (or the website on the account holder's statement) under 'Resource Center'. Call The BenefitWallet Service Center for more information.

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Catch-Up Contributions

- Catch-up contributions are permitted by the law for participants who are or will be 55 or older during the taxable year.
- Employees may make catch-up contributions through payroll deduction/ contribution for the current year.
- Prior year, post-tax catch-up contributions may be made by personal check to The Bank of New York Mellon until April 17, 2018.
- Any contribution for the prior year needs to be marked “PRIOR YEAR” on the deposit slip to be posted for a prior year calendar year. Such contributions must be postmarked by April 17, 2018 to be processed as prior year contributions. Deposit slips are available in the checkbook or are downloadable online at mybenefitwallet.com (or the website on the account holder’s statement).
- Catch-up contribution limit is \$1,000.
- Catch-up contributions must be made to the account owned by the individual account holder who is age 55 or older. If each person in a married couple is 55, two HSA accounts are needed for two catch-up contributions to be made.
- 5498-SA reporting does not specify “catch-up” contribution.

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All contributions for the 2017 calendar year must be made by April 17, 2018.

Frequently Asked Questions

What if the information on the 5498-SA doesn't agree with the W-2?

- There are several reasons why the amounts may differ, including:
- Use of different or multiple HSA custodians during the year may result in an individual 5498-SA not agreeing to the W-2. Each custodian provides a 5498-SA only for the contributions received by it.
- Personal HSA contributions are not included in W-2 reporting.
- Contributions posting in 2018 as 2017 are included in the 5498-SA but may not be included in the 2017 W-2.
- Contributions received in 2018 attributable to 2017 will be reported on the amended 5498-SA (issued in May 2018) yet may be included in the W-2. Account holders should review all HSA and payroll documentation to confirm the posting of contributions.

Employers can assist by reviewing the Account Profile Prior YTD summary and reconcile it to their payroll records. Note: Form 5498-SA reports only the total of contributions. Differences between the Prior YTD amount and payroll should be reviewed in greater detail. Employers can also view the specific transactions that comprise the summary value by selecting the detail record online.

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Frequently Asked Questions (Continued)

How do taxpayers use Form 1099-SA?

Taxpayers may use the information available on the 1099-SA to complete Part II of Form 8889. The information for this section may also be available from other sources such as HSA account statements or website.

How do taxpayers use Form 5498-SA?

Taxpayers may use the information available on the 5498-SA to complete Part I of Form 8889. The information for this section may also be available from other sources such as the W-2 statement (Box 12), HSA account statements or website.

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Frequently Asked Questions (Continued)

What if I used HSA funds for non-qualified medical expenses in error?

- If a distribution was made in error (reasonable mistakes), account holders may re-deposit the funds into the HSA. Such contributions are to be clearly labeled “Return of Incorrect Distribution” on the deposit slip.
- If the incorrect distribution occurred in 2017 the deposit slip must also indicate “PRIOR YEAR” (so both “Return of Incorrect Distributions” and “Prior Year” will be marked).
- “Return of Incorrect Distribution” for 2017 must be completed by April 17, 2018.
- Account holders who complete a Return of Incorrect Distribution will be issued Amended Form 1099-SA approximately 3 weeks after the posting.
- Deposit slips are included in your HSA-issued checkbook and are available online at mybenefitwallet.com (or the website on the account holder’s statement) under Resource Center->Forms->Contributions and Distributions.

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Additional Resources

Form 8889 and the instructions to complete it may be downloaded from:

- mybenefitwallet.com (or the website on the account holder statement) under 'Resource Center'.
- IRS site irs.gov

Account holders may review current and prior year contribution and distribution information on the home page of the website. █

Account holders may contact the BenefitWallet Service Center with general questions regarding issuance and availability of tax forms and review displayed transactions. Specific tax questions must be referred to their tax advisor.

Employers may review current and prior year payroll contribution information online under Reporting – select Account Profile.

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