TakeCare
A TanHoldings Company

Judiciary of Guam
FY2025

HEALTH SAVINGS ACCOUNT (HSA)
Frequently Asked Questions

1.What is an HSA?

An HSA is a savings plan that allows you to make tax-deductible contributions that can be withdrawn tax free (including interest earnings) if used to pay for tax-deductible medical expenses, including those that your insurance may not cover, or save the money in your account for future needs.

2.Eligible/Ineligible Expenses

The following list from **IRS Publication 969** provides examples of eligible and ineligible medical expenses . This list is not all-inclusive. Remember, the IRS may modify its list of eligible expenses from time to time. **As always, consult your tax advisor should you require specific tax advice.**

Eligible medical expenses may include:

- Acupuncture
- Alcoholism treatment
- Ambulance
- Artificial limb
- Artificial teeth
- Breast reconstruction surgery (mastectomy-related)
- Chiropractor
- Contact lenses and solutions
- Cosmetic surgery (if due to trauma or disease)
- Dental treatment (X-rays, fillings, braces, extractions, etc.)
- Diagnostic devices (such as blood sugar test kits for diabetics)
- Doctor's office (including physicians, surgeons, specialists or other medical practitioners) visits and procedures
- Drug addiction treatment
- Eyeglasses and exams (for medical reasons)
- Eye surgery (such as laser eye surgery or radial keratotomy)
- Fertility enhancements
- Hearing aids (and batteries for use)
- Hospital services
- Laboratory fees
- Long-term care (for medical expenses and premiums)
- Nursing home
- Nursing services
- Operations/surgery (excluding unnecessary cosmetic surgery)
- Osteopath
- Physical Therapy
- Prescription drugs and **physician prescribed**

over-the-counter drugs
- Psychiatric care
- Psychologist
- Special education (for learning disabilities)
- Speech Therapy
- Stop-smoking programs (including nicotine gum or patches)
- Vasectomy
- Weight-loss program (to treat a specific disease diagnosed by a physician)
- Wheelchair

Ineligible medical expenses may include:
- Advance payment for future medical care
- Amounts reimbursed from any other source (such as other health coverage or a Flexible Spending Account)
- Babysitting, child care and nursing services for a normal, healthy baby
- Betting (including lottery, gaming, chips, or track wagers)
- Cosmetic surgery (unless due to trauma or disease)
- Diaper service
- Electrolysis or hair removal
- Funeral expenses
- Gasoline
- Health club dues
- Household help
- Illegal operations and treatments
- Insurance premiums (except for COBRA or Medicare)
- Maternity clothes
- Meals
- Nutritional supplements
- Over-the-counter drugs and medicines not prescribed by a physician
- Personal use items (such as toothbrush, toothpaste)
- Swimming lessons
- Teeth whitening
- Weight loss program (unless prescribed to treat a specific disease)

Effective January 1, 2020 the CARES Act added to the list of IRS-allowable expenses including menstrual care products, over the counter medications without a physician's prescription.

3. Who is eligible for the HSA?

You must be enrolled in the HSA2000, cannot be claimed as a dependent on someone else's tax return, and must **NOT** be participating in any one of the following benefit programs:

- Medicare or Medicaid
- Health Flexible Spending Account (FSA)
- Covered under another health insurance plan

(including Tricare)
- Receiving or have received VA benefits in the last 3 month

4. How much can I contribute each year?

You can make deposits to your HSA any time during the year, so long as the total contribution does not exceed the annual maximum.

The annual maximum that can be contributed to your HSA is based on IRS annual limits, which may be adjusted each year.

For 2022, the maximum tax-deferred contribution for individuals is $3,700 ($4,700 - age 55 and older). For a family, the maximum tax-deferred contribution is $7,300 ($8,300 – age 55 and older).

For 2023, the maximum tax-deferred contribution for individuals is $3,850 ($4,850 - age 55 and older). For a family, the maximum tax-deferred contribution is $7,750 ($8,750 – age 55 and older).

5. Can I lose the money in my HSA if I don't use it to pay for medical expenses?

NO. There is no "use it or lose it" rules for your HSA as there are with Flexible Spending Accounts. Any money left over in your account at the end of the year rolls over year after year until you are ready to withdraw it, even if you are no longer participating in an HDHP.

6. What happens if I leave Judiciary employment or move off island?

Your HSA is completely portable no matter where you go and transferable from one HSA provider to another. If you prefer, you can always maintain your HSA as is regardless of where you go.

7. Can I withdraw money from the HSA for non-medical reasons?

Yes. You can withdraw money from the HSA for any reason, at any time. HOWEVER, if the withdrawal is not for tax-deducible medical expenses, you must pay income tax on the amount withdrawn and you must pay an additional 20% tax penalty. The 20% tax penalty is waived for persons who have reached the age of 65 or have become disabled at the time of the withdrawal.

8. What amount of tax savings can I expect by having an HSA?

It depends on your tax rate. For example, if your tax rate is 20% and you contribute $5,000 into your HSA, you will save $1,000 in taxes. The higher your tax rate, the greater the savings. Please consult your tax professional for more details.

TakeCare
A TanHoldings Company

Judiciary of Guam FY2025

9. What happens if I don't re-enroll in the HSA2000 plan or I become ineligible for an HSA?

If you no longer meet the eligibility requirements outlined in question 2 above, you must stop contributing to your HSA. However, you can still keep your HSA for as long as you want and continue making tax-free withdrawals to pay for healthcare expenses.

10. Do I need to include any special tax forms when filing my income tax return with the IRS?

Yes. You must file a Form 8889 with your tax return (Form 1040). Form 8889 is used to report all contributions and withdrawals from your HSA for the tax year. Your HSA administrator will provide you the information you need to complete the Form 8889 each year.

Account holders are required to retain documentation for their qualified medical expenses. Failure to retain and provide documentation could cause the IRS to rule withdrawals were not for qualified medical expenses and subject the taxpayer to additional penalties.

11. What happens to my HSA if I should pass away?

The assets of the HSA pass to your designated beneficiaries. When you open your HSA, you will be asked to provide a primary and secondary beneficiary. If you are legally married, you must name your spouse as the primary beneficiary, unless your spouse consents to someone else. You can change your beneficiaries at any time.

12. May I use my HSA funds to pay for my covered child's medical expenses?

While the Patient Protection and Affordable Care Act (PPACA) allows parents to add their adult children (up to age 26) to their health plans, the IRS has not changed its definition of a dependent for health savings accounts (see below). This means that an employee whose 24-year-old child is covered on their HSA-qualified high-deductible health plan is not eligible to use HSA funds to pay for medical bills for that 24-year-old.

If account holders can't claim a child as a dependent on their tax returns, then they can't spend HSA dollars on services provided to that child.

According to the IRS definition, a dependent is a qualifying child (daughter, son, stepchild, sibling or stepsibling or any descendant of these) who:

- Has same principal place of abode as the covered employee for more than one-half of taxable year.
- Has not provided over one-half of their own support during taxable year.
- Is not yet age 19 (or not yet age 24 if a student) at the end of the tax year, or is permanently and totally disabled.