



FSA & HSA

Frequently Asked Questions: The City of Boulder's \$1,500 Deductible Plan with HSA

- *What is the difference between a Healthcare Flexible Spending Account (FSA) and a Health Savings Account (HSA)?*
 - You may only have an HSA when you are enrolled in a qualified high deductible health plan. The City's new \$1,500 Deductible Plan is deemed by the IRS to be HSA-eligible.
 - An HSA offers many advantages not offered by a Healthcare FSA:
 - HSA balances roll over indefinitely, even if you leave the plan or the City, while Healthcare FSA funds are "use it or lose it"
 - HSAs have higher annual contribution maximums (\$3,250 single/\$6,450 family) than Healthcare FSAs (\$2,500) which offers you greater tax savings
 - Once you reach 55, you can also make a catch-up contribution of \$1,000 in addition to the regular maximum
 - HSAs are Health **Savings** Accounts where funds can be invested and grow interest tax-free to build savings for your future medical or retirement expenses, while Healthcare Flexible **Spending** Accounts are temporary vehicles for tax-advantaged spending
- *How are these two accounts similar?*
 - Both accounts' funds can be used for qualified health expenses of you and your tax dependents, including medical, dental, prescription, and vision expenses as listed in IRS Publication 502 <http://www.irs.gov/pub/irs-pdf/p502.pdf>
 - You are not permitted to use funds in either account for non-qualified expenses
 - Under the HSA, if you choose to use your funds for a non-qualified expense, the amount will be subject to income tax **and** a 20% penalty.
 - Both accounts reduce your taxable income by your election for the year
 - For PERA employees, only the FSA reduces your pensionable wages.
- *I am enrolled in the \$1,500 Deductible Plan. What happens to my Healthcare FSA?*
 - Healthcare FSAs are considered "non-qualified coverage," which makes you ineligible to open a Health Savings Account (HSA). If you still have funds in your Healthcare FSA and intend to use them during the grace period, you will **not** be able to open an HSA or receive the City's contribution.
 - You can continue to use any Healthcare FSA funds remaining in your account only until December 31, 2012 if you are electing to open the HSA for 2013.
- *My spouse/children are covered by a Healthcare FSA. Can I use my HSA funds to pay for their qualified health expenses?*
 - Yes. As long as the person is your qualified dependent, you can use your own HSA funds for their qualified expenses.
 - However, if only you are covered on the plan under single coverage, your annual contribution maximum will be limited to \$3,250.
- *What happens to my Dependent Care FSA if I open an HSA?*
 - Nothing! You may have an HSA and a Dependent Care FSA since that account is used for different types of expenses.