

Health Savings Accounts Guide



Health Savings Accounts, or HSAs, were created by the Federal Government to give individuals tax advantages to offset rising health care costs.

You can use your State Bank of Lizton HSA Account like any checking account for qualified medical expenses. Use your HSA debit card at your doctor's office, pharmacy, or anywhere else you make medical payments or purchases.



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500/06/2014

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How do you qualify for an HSA?

To be an eligible individual and qualify for an HSA, you must meet the following requirements:

- You have a high deductible health plan (HDHP).
- You have no other health coverage (with limited exceptions).
- You are not enrolled in Medicare.
- You cannot be claimed as a dependent on someone else's tax return.

What are the Federal Tax Benefits on an HSA?

Contributions to an HSA are fully deductible; the earnings and distributions for qualified medical expenses are tax free. Consult with your tax or legal professional for guidance.

How do I claim the Federal Tax Deduction for my HSA contribution?

You may be able to deduct contributions made by anyone other than your employer as long as they do not exceed the maximum annual contribution amount. Employer contributions are not wages for federal income tax purposes.

What are the benefits of an HSA?

You may enjoy several benefits from having an HSA.

- You may be able to claim tax deductions for contributions you, or someone other than your employer make to your HSA.
- Payroll contributions to your HSA made by you or your employer are not included in your gross income.
- The contributions remain in your account from year to year until you use them.
- The interest or other earnings on the assets in your HSA account are tax-free.
- Distributions may be tax-free if used for qualified medical expenses.
- An HSA is "portable" so it stays with you if you change employers or leave the work force.

In addition, you don't have to spend it at a specific pharmacy or doctor's office and there are no in-network or out-of-network exclusions. As long as you are using the money for qualified medical expenses, you can choose where and when you use it.

When is the contribution deadline for funding an HSA?

The deadline for regular and catch-up HSA contributions is your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15.

How are HSA distributions taxed?

HSA distributions used exclusively to pay for or reimburse qualified medical expenses incurred by you, your spouse, or your dependents are not included in gross income.

Any other distributions are included in income unless rolled over: Distributions not used to pay for or reimburse qualified medical expenses or not rolled over are subject to an additional 10 percent tax unless made after your death, your disability, or your attainment of age 65.

HSA custodians/trustees are not required to determine whether HSA distributions are used for qualified medical expenses. The qualified medical expenses must be incurred generally only after the HSA has been established.

How is HSA activity reported?

Each year, your HSA custodian/trustee reports to the IRS on IRS Form 5498-SA the contributions made to your HSA and on IRS Form 1099-SA any HSA distributions you take. In addition, you file IRS Form 8889-Health Savings Accounts (HSAs), as part of your federal income tax return to show your HSA contribution and distribution activity.

What happens to my HSA in the event of my death?

Spouse Beneficiary - If your spouse is the beneficiary of your HSA, the HSA becomes his/her HSA.

Non-spouse Beneficiary - If your beneficiary is not your spouse, the HSA ceases to be an HSA as of the date of your death. If your beneficiary is your estate, the fair market value of the HSA as of the date of your death is included as income on your final income tax return. For other beneficiaries, the fair market value of your HSA is included as income for the recipient in the tax year of your death.

