



**HSA TRUST APPLICATION PACKET  
(FORM 2600H-T)**

**Please Print or Type**

CUID (Credit Union will complete) \_\_\_\_\_ Account Owner's Name (First, Initial, Last) \_\_\_\_\_

Account Owner's Social Security Number \_\_\_\_\_ Street Address \_\_\_\_\_

Account Owner's Birth Date (MM/DD/YYYY) - (required for processing) \_\_\_\_\_ Mailing Address if Different from Street Address \_\_\_\_\_

Account Number \_\_\_\_\_ City, State, ZIP \_\_\_\_\_

I instruct the credit union to invest this HSA in the following investment: \_\_\_\_\_

**(Before filling out the "DESIGNATION OF BENEFICIARY" section, please see instructions on reverse side.)**

**DESIGNATION OF BENEFICIARY**  
(Revocable)

**PRIMARY Beneficiary(ies)**

%	Name	Mailing Address	Relationship	Birth Date	SS #

% Column MUST total 100%

**SECONDARY Beneficiary(ies)**

%	Name	Mailing Address	Relationship	Birth Date	SS #

% Column MUST total 100%

**TERTIARY Beneficiary(ies)**

%	Name	Mailing Address	Relationship	Birth Date	SS #

% Column MUST total 100%

**CONSENT OF SPOUSE**

I consent to the designation of beneficiary on this form, and I agree to convert this HSA into the separate property of my spouse to be distributed as shown on this form following my spouse's death. I understand that by signing this consent, I am giving up both my current community/marital property rights in this HSA and my community/marital property rights in any future contributions to this HSA. I further understand that I may not revoke this consent in the future. However, this consent will be automatically revoked if my spouse amends this designation of beneficiary during my lifetime.

X \_\_\_\_\_  
Signature of Account Owner's Spouse \_\_\_\_\_ Date (MM/DD/YYYY) \_\_\_\_\_

**ACCOUNT OWNER'S SIGNATURE**

I am establishing this health savings account (HSA) exclusively for the purpose of paying or reimbursing my qualified medical expenses and those of my spouse and dependents. I represent that, unless this account is used solely to receive direct transfer or rollover contributions, I am eligible to contribute to this HSA; specifically: (1) I am covered under a high deductible health plan (HDHP), (2) I am not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing preventive care and limited types of permitted insurance and permitted coverage), and (3) I am not enrolled in Medicare. I acknowledge receipt of the "Credit Union HSA Disclosure Statement." I also accept the terms and conditions of the "Credit Union HSA Trust Agreement."

X \_\_\_\_\_  
Account Owner's Signature \_\_\_\_\_ Date (MM/DD/YYYY) \_\_\_\_\_

**ACCEPTANCE OF TRUSTEE**  
(for credit union use only)

The credit union hereby establishes an HSA for the above account owner under the terms of the "Credit Union HSA Trust Agreement."

\_\_\_\_\_  
Credit Union Name \_\_\_\_\_ X \_\_\_\_\_  
Authorized Credit Union Signature

\_\_\_\_\_  
Credit Union Mailing Address (include street address, city, state, and ZIP code) \_\_\_\_\_ Date (MM/DD/YYYY) \_\_\_\_\_

## DESIGNATING BENEFICIARIES

**General Instructions.** A beneficiary can be a person, trust, charity, or your estate. Write only one beneficiary on each line. Make sure that you write the full names of all beneficiaries. For example, if you name your children as beneficiaries, DO NOT merely write “children” on one of the lines; instead, write the full names of all your children on separate lines.

**Order of Payment.** To qualify to receive money from the HSA, a human beneficiary must be alive on the day after your death, and a trust, charity, or estate must be in existence within nine months after your death. If any of the primary beneficiaries you name qualify to receive money, then all of the money will be paid to the primary beneficiaries. The money will be paid to secondary beneficiaries ONLY if none of the primary beneficiaries qualify to receive money. The money will be paid to tertiary beneficiaries ONLY if none of the primary or secondary beneficiaries qualify to receive money.

**Primary Beneficiaries.** If you’re naming only one primary beneficiary, put 100% in the “%” column. If you’re naming more than one primary beneficiary, you must indicate what percentage each is to receive. The total MUST equal 100%.

If you do not assign a percentage for any primary beneficiary, then all primary beneficiaries will share equally. If you assign all primary beneficiaries a percentage, but the percentages of those that qualify for payment do not total 100%, then the beneficiaries who do qualify will share in proportion to their percentages.

**Secondary Beneficiaries.** If you’re naming only one secondary beneficiary, put 100% in the “%” column. If you’re naming more than one secondary beneficiary, you must indicate what percentage each secondary beneficiary is to receive. The total MUST equal 100%.

If you do not assign a percentage for any secondary beneficiary, then all of the secondary beneficiaries will share equally. If you assign all secondary beneficiaries a percentage, but the percentages of those that qualify for payment do not total 100%, then the beneficiaries who do qualify will share in proportion to their percentages.

**Tertiary Beneficiaries.** If you’re naming only one tertiary beneficiary, put 100% in the “%” column. If you’re naming more than one tertiary beneficiary, you must indicate what percentage each tertiary beneficiary is to receive. The total MUST equal 100%.

If you do not assign a percentage for either tertiary beneficiary, then both tertiary beneficiaries will share equally. If you assign both tertiary beneficiaries a percentage, but only one qualifies for payment, then the tertiary beneficiary who qualifies will receive 100%.

**Example.** *Mary wants her HSA to be paid to her husband if he is alive on the day after her death. If her husband is not alive, she wants her HSA to be paid equally to her two children. Mary would list her husband’s name under the “Primary Beneficiary(ies)” section and fill in “100” in the “%” column. She would list the two children’s names under the “Secondary Beneficiary(ies)” section and fill in “50” in the “%” column for each child.*

# CREDIT UNION HSA TRUST AGREEMENT (Rev. 11/2007)

The account owner and the trustee make the following agreement:

## 1. CONTRIBUTIONS

**1.1 Regular Contributions.** The trustee will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member, or any other person). No contributions will be accepted by the trustee for any account owner that exceeds the maximum amount for family coverage plus the catch-up contribution.

**1.2 Contribution Deadline.** Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).

**1.3 Rollover Contributions.** Rollover contributions from a Health Savings Account (HSA) or an Archer Medical Savings Account (Archer MSA) (unless prohibited under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article 2.

**1.4 FSA and HRA Transfers.** Qualified HSA distributions from a health flexible spending account (FSA) or health reimbursement arrangement (HRA) must be completed in a trustee-to-trustee transfer and are not subject to the maximum annual contribution limit set forth in Article 2.

**1.5 IRA Transfers.** Qualified HSA funding distributions from an individual retirement account (IRA) must be completed in a trustee-to-trustee transfer and are subject to the maximum annual contribution limit set forth in Article 2.

## 2. CONTRIBUTION LIMITS

**2.1 Normal Contribution Limits.** For calendar year 2007, the maximum annual contribution limit for an account owner with single coverage is \$2,850. This amount increases to \$2,900 in 2008. For calendar year 2007, the maximum annual contribution limit for an account owner with family coverage is \$5,650. This amount increases to \$5,800 in 2008. These limits are subject to cost-of-living adjustments after 2008.

**2.2 Included Contributions.** Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.

**2.3 Catch-Up Contributions.** For calendar year 2007, an additional \$800 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare. The

catch-up contribution increases to \$900 in 2008 and \$1,000 in 2009 and later years.

## 2.4 Excess Contributions.

Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

## 3. MONITORING CONTRIBUTION LIMITS

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit described in Article 2. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the trustee that there exist excess contributions to the HSA. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

## 4. NONFORFEITABLE

The account owner's interest in the balance in this trust account is nonforfeitable.

## 5. INVESTMENT LIMITATIONS

**5.1 No Life Insurance.** No part of the trust funds in this account may be invested in life insurance contracts or in collectibles as defined in Internal Revenue Code section 408(m).

**5.2 No Commingling.** The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.

**5.3 No Prohibited Transactions.** Neither the account owner nor the trustee will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in Internal Revenue Code section 4975).

## 6. DISTRIBUTIONS

**6.1 Owner Controls.** Distributions of funds from this HSA may be made upon the direction of the account owner.

**6.2 Taxation of Distributions.** Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 10% tax on that amount. The additional 10% tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.

**6.3 Owner Determines If Expenses Qualify.** The trustee is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

## 7. DEATH BENEFITS

If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

**7.1 Spouse Beneficiary.** If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.

**7.2 Other Beneficiaries.** If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

## 8. REPORTING

**8.1 Owner Provides Information.** The account owner agrees to provide the trustee with information necessary for the trustee to prepare any report or return required by the IRS.

**8.2 Trustee Submits Reports.** The trustee agrees to prepare and submit any report or return as prescribed by the IRS.

## 9. CONTROLLING SECTIONS

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles 1 through 8 and this sentence are controlling. Any additional article in this agreement that is inconsistent with Internal Revenue Code section 223 or IRS published guidance will be void.

## 10. AMENDMENT

This agreement will be amended from time to time to comply with the provisions of the Code or IRS published guidance. Other amendments may be made with the consent of the persons whose signatures appear below. The trustee may also amend this agreement at any time by sending the account owner a copy of the amendment. An amendment will become effective 30 days after it is mailed to the account owner, unless the trustee receives an objection to the amendment from the account owner.

# CREDIT UNION HSA TRUST AGREEMENT (Continued)

## 11. GENERAL PROVISIONS

### 11.1 Qualification of Beneficiaries.

Beneficiaries designated by the account owner qualify to receive payments as follows:

- (a) An individual qualifies if he or she is alive on the day after the account owner's death.
- (b) The account owner's estate qualifies if it is in existence within nine months after the account owner's death. If the account owner directs that payment be made under the account owner's will, then this will be treated as a designation of the account owner's estate as a beneficiary.
- (c) A trust qualifies if it is in existence within nine months after the account owner's death. A trust that is set up by the account owner's will qualifies if the account owner's estate has been opened within nine months after the account owner's death.

If a beneficiary does not qualify to receive payments, then payment will be made as if that beneficiary had not been named by the account owner.

**11.2 Absence of a Beneficiary.** If none of the beneficiaries named by the account owner qualify to receive payments, or if we have not received a beneficiary designation form from the account owner, then the account owner's HSA will be paid as follows:

- (a) Everything to the account owner's spouse if alive on the day after the account owner's death; or
- (b) If the account owner is not survived by a spouse, then everything equally to the account owner's legitimate natural and legally adopted children who are alive on the day after the account owner's death; or
- (c) If the account owner is not survived by a spouse or any children, then everything to the account owner's estate.

A person or estate entitled to receive money under this section will be treated as a beneficiary for purposes of Article 7.

### 11.3 Forms, Notices, and Reports.

The account owner will mail notices to the trustee or to an agent specified by the trustee. The account owner will notify the trustee of any change in name or address. The trustee may require the account

owner and beneficiaries to use the trustee's forms. A copy of the account owner's application when attached to a copy of this agreement (including amendments) will be considered an original agreement. A copy on carbonless paper or a photographic reproduction of any document used to administer this HSA will be admissible as evidence in any judicial or administrative proceeding as if it were the original itself. The trustee will mail notices and reports to the account owner or beneficiaries at the last known address according to its records. The account owner agrees to examine each report received from the trustee and immediately notify the trustee of any information in a report that does not appear to be correct. If the trustee does not receive such a notification within 60 days after mailing the report, it may treat the information contained in the report as accurate for all purposes.

**11.4 Trustee's Liability.** The trustee will not be liable for any loss or damage unless it is caused by a violation of an express provision of this agreement, or by a lack of good faith in acting in compliance with this agreement.

**11.5 Trustee's Services.** The trustee may charge reasonable fees for its services, and deduct such fees from the assets of the HSA.

**11.6 Change of Trustee.** The trustee can substitute a successor trustee, and it will do so if it receives notice from the IRS that such substitution is required to protect the tax status of this HSA. If the trustee resigns without substituting another trustee or the trustee is removed by the governmental agency that regulates it, then CUNA Mutual Group, Madison, Wisconsin, will appoint a successor trustee and notify the account owner of the change. A successor trustee will have all of the same duties and rights granted to the original trustee under this agreement. A successor trustee will not be liable for any act or omission of a predecessor trustee.

**11.7 Termination.** The trustee may terminate this HSA upon 30 days' notice to the account owner. In such event this HSA will be paid out to the account owner, unless during this 30-day period the account owner instructs the trustee to transfer it directly to another HSA.

**11.8 Security Interest Waived.** The trustee waives the provisions of any written contract that grants it a security interest in this HSA.

**11.9 Controlling Law.** Payments to a minor or a person who is legally incompetent will be controlled by the laws of the state in which that person resides. In all other cases, the administration of this HSA will be governed by the laws in effect at our office that primarily serves the account owner.

### 11.10 Disclosure of Account Information.

The trustee may use third-party service providers to assist in administering the HSA. The trustee may release nonpublic personal information regarding the HSA to third-party service providers as necessary to provide the products and services made available under this agreement, and to evaluate the trustee's business operations and analyze potential product, service, or process improvements.

# CREDIT UNION HSA DISCLOSURE STATEMENT (Rev. 11/2007)

This publication discusses Health Savings Accounts (HSAs) in general and your credit union sponsored HSA in particular. This publication only discusses the federal tax rules, and you should consult your tax advisor concerning the tax laws of your state. Your credit union is referred to as "we" in this document.

## Q1: What is a Health Savings Account (HSA)?

**A1:** An HSA is a trust or custodial account that is created in the United States for the exclusive purpose of paying or reimbursing qualified medical expenses. The account must be designated as an HSA when it is created.

Contributions can only be made into an HSA for the benefit of an eligible individual. Employer contributions are tax-free, and the account owner generally gets an income tax deduction for contributions by anyone other than the owner's employer. Distributions from an HSA are tax-free if the money is used to pay or reimburse uninsured qualified medical expenses for the account owner, his or her spouse, or dependents.

## Q2: Who is an eligible individual?

**A2:** An eligible individual is generally someone who is covered by a high deductible health plan (HDHP) and is not covered by certain other plans that pay medical expenses. The HDHP coverage can be provided through the individual's employer or through the employer of the individual's spouse. Eligibility is determined as of the first day of each month.

An individual who is enrolled in the Medicare program loses HSA eligibility. An individual who receives VA medical benefits loses HSA eligibility for the next three months after receiving these benefits.

An individual who is covered by a health reimbursement arrangement (HRA) or by a flexible spending account (FSA), also known as a health cafeteria plan, generally loses HSA eligibility. However, HSA eligibility is not lost if the FSA or HRA is coordinated with the HDHP. Your employer should be able to tell you if its FSA or HRA is properly coordinated with the HDHP.

An individual who is covered by a prescription drug plan (outside the HDHP) that pays benefits before reaching the minimum annual deductible discussed in A3 loses HSA eligibility.

The general rule is that an individual loses HSA eligibility by being covered by any other plan which provides coverage for any benefit which is covered under the HDHP if its deductible has been met. However, there are two groups of exceptions:

- A. The following insurance coverage is ignored in determining HSA eligibility:
  - (1) insurance for a specified disease

- (2) illness, (2) hospitalization insurance paying a fixed amount per day (or other time period) of hospitalization, (3) tort liability insurance, (4) insurance for liabilities relating to ownership or use of property, and (5) insurance for such other similar liabilities as the IRS may specify by regulations.

- B. The following medical plans (whether provided through insurance or without insurance) are ignored in determining HSA eligibility: (1) coverage for accidents, (2) coverage for disability, (3) coverage for dental care, (4) coverage for vision care, (5) coverage for long-term care, (6) coverage for liabilities incurred under workers' compensation laws, (7) a discount card that allows the individual to obtain discounts for health care services or products, (8) coverage under an employee assistance program, disease management program, or wellness program that does not provide significant benefits for medical care or treatment.

## Q3: What is a high deductible health plan (HDHP)?

**A3:** For single coverage during 2008, the annual deductible must be at least \$1,100 (also \$1,100 for 2007) and the annual out-of-pocket expenses cannot exceed \$5,600 (\$5,500 for 2007). For family coverage during 2008, the annual deductible must be at least \$2,200 (also \$2,200 for 2007) and the annual out-of-pocket expenses cannot exceed \$11,200 (\$11,000 for 2007). These dollar limits are subject to cost-of-living adjustments for years after 2008.

Coverage for preventive care does not disqualify a plan. Preventive care includes periodic physicals, routine pre-natal and well-child care, immunizations, smoking cessation programs, weight-loss programs, and health screening tests.

Out-of-pocket expenses are those not paid by the plan due to plan deductibles, co-payments, and other amounts other than plan premiums. For plans that use a network of providers, the annual deductible and maximum out-of-pocket costs are determined using the assumption that all services will be obtained inside the network.

## Q4: How much can I contribute to an HSA?

**A4:** The annual contribution limits, adjusted each year for inflation, are different for single and family policies. The annual contribution limit for single coverage during 2008 is \$2,900 (\$2,850 for 2007). The annual contribution limit for family coverage during 2008 is \$5,800 (\$5,650 for 2007).

Eligibility is generally determined on a monthly basis as of the first day of each month. Under this rule, the monthly contribution limit is 1/12th of the annual contribution limit.

**Example.** Frederick has single coverage under an HDHP for the first ten months of 2008, and then loses coverage due to a change in jobs. His contribution limit for each month is \$241.66 (1/12th of \$2,900) and his contribution limit for 2008 is \$2,416.66.

The one exception to the monthly eligibility rule is that a person who is an eligible individual during the last month of the person's tax year (December for a calendar-year taxpayer) is treated as having been an eligible individual during every month of the year. The person is treated as having been a participant in the same high deductible health plan that covers the individual in the last month.

A penalty is imposed if a contribution is made for a person under the last month eligibility rule and the person does not remain an eligible individual until the end of the owner's following tax year. This penalty is not imposed if ineligibility is caused by the death or disability of the eligible individual. This penalty is that the contributions that were made in reliance on the last month rule (which are pre-tax dollars in the HSA) are treated as taxable income for the year that includes the first month of ineligibility. These contributions are also subject to an additional 10% tax. These contributions are not treated as excess contributions, and they do not have to be withdrawn from the HSA.

**Example.** Marlene, age 37, was an eligible individual from October through December 2007, and she was not an eligible individual during any prior month in 2007. She could make HSA contributions for all 12 months of 2007 under the last month eligibility rule. If she continues to be an eligible individual for all of 2008, these 2007 contributions are treated like any other properly made HSA contributions.

**Example.** Greta, age 42, was also an eligible individual from October through December 2007. Greta and her employer made 2007 contributions totaling \$2,500, which is less than the maximum contribution of \$2,850 for single coverage for someone under age 55. Greta was laid off in August 2008, and as a result she was not an eligible individual at the end of 2008. In this case, her 2007 HSA contributions in excess of the allowed contributions for October through December would be included in her 2008 gross income, and it would be subject to an additional 10% tax. The amount of this taxable income is \$1,787.50. This is computed by subtracting her maximum contributions for the three months of eligibility during 2007 (\$712.50) from the amount of 2007 regular contributions to her HSA (\$2,500).

## CREDIT UNION HSA DISCLOSURE STATEMENT (Continued)

### Q5: Is the contribution limit increased for older people?

**A5:** An eligible individual who will attain age 55 before the end of the year for which contributions are being made can contribute an additional amount that is known as a "catch-up contribution." Someone who meets this age test and is eligible for the entire year can contribute an additional \$900 for 2008 (\$800 for 2007). The catch-up contribution is subject to the monthly eligibility and last month eligibility rules described in A4.

**Example.** Frederick (see the first example in A4) is 57 years old and is eligible for the first ten months of 2008. His maximum catch-up contribution for 2008 is \$750 (\$75 per month times 10 months).

### Q6: What if I am married and we have a family coverage HDHP?

**A6:** Special rules are used to determine the contribution limits of a married couple that is covered by a family coverage HDHP.

1. If a family coverage HDHP is the only health plan the family has, then both spouses are eligible individuals.
2. If a family is covered by two family coverage HDHPs, and these are the only health plans the family has, then both spouses are eligible individuals.
3. If a family is covered by a family coverage HDHP and one spouse is also covered by a single coverage HDHP, then both spouses are eligible individuals. The single coverage HDHP is ignored in computing contribution limits.
4. If a family is covered by a family HDHP and one spouse is covered by a single coverage plan that is not an HDHP or is covered by Medicare, then the spouse with the family coverage HDHP is treated as being covered by a family HDHP, and the spouse with a single coverage non-HDHP is not an eligible individual. This does not affect the family coverage contribution limit for the eligible spouse.
5. If one spouse has family HDHP health coverage and the other spouse is covered by a family plan that is not an HDHP, then neither spouse is an eligible individual.

The family coverage contribution limit is divided between the spouses in the first three situations. The couple can divide this limit in any manner they want, including one spouse contributing the entire amount. If the combined contributions exceed the family coverage contribution limit, then the presumption is that this limit was divided equally between the two spouses.

A spouse that is unable to make HSA contributions may still obtain the benefits of an HSA through the HSA of the other spouse (see A15 and A16).

### Q7: Can my employer contribute to my HSA?

**A7:** Your employer can use its own funds to contribute to your HSA if you are an eligible individual (see A2). Employer contributions are excluded from income tax to the extent they do not exceed the contribution limit (see A4 through A6). Employer contributions are also excluded from FICA, FUTA, the Railroad Retirement tax, and withholding. The amount you can contribute to your HSA is reduced by the amount contributed by your employer for the same year.

### Q8: Can I make HSA contributions through the cafeteria plan at work?

**A8:** HSA contributions are a permitted use of the money in a health flexible spending account (FSA), which is often called a cafeteria plan. Participation in an FSA makes you ineligible to contribute to an HSA unless the FSA is coordinated with the HSA rules. Your employer should be able to tell you if its FSA is properly coordinated with HSA participation. HSA contributions made through an FSA are treated as employer contributions (see A7).

### Q9: When can I make regular contributions to my HSA?

**A9:** You can make regular HSA contributions at any time from the beginning of the year up until the time prescribed by law for filing the tax return for the year, not including filing extensions. If you report income on a calendar tax year basis, the deadline for making a regular HSA contribution for a year is April 15 of the following year. If April 15 is a weekend or a legal holiday at the address to which you mail your federal tax return, then the deadline is the next business day. You can make a regular HSA contribution until this deadline even if you have already filed your tax return for the year. You can make regular HSA contributions periodically during the year, or in a single contribution for the year.

### Q10: Can I deduct contributions to my HSA?

**A10:** You cannot deduct contributions made by your employer or contributions made through a flexible spending account (cafeteria plan), which makes sense since these contributions are made on a tax-free basis. You can deduct your contributions and contributions made by anyone other than your employer that are within the contribution limits discussed above.

### Q11: What other rules control my HSA contributions?

**A11: No income limit.** You can make HSA contributions regardless of your income if you are an eligible individual.

**No age limit.** You can make HSA contributions regardless of your age if you are an eligible individual.

**Archer MSAs.** The amount you can contribute to your HSA is reduced by the amount of Archer MSA contributions made for the same year. The Archer MSA was the pilot program for HSAs, and few people have Archer MSAs.

**Cash contributions required.** Regular HSA contributions must be made in cash (currency, checks, etc.). Contributions of stock or other property are not allowed.

**Community and marital property laws.** Community and marital property laws are disregarded for purposes of determining HSA contributions. You and your spouse must meet the qualifications for contributions individually.

### Q12: Can I move money from one HSA to another?

**A12: Direct transfer.** You can move money between HSAs by having the assets directly transferred between the HSAs. You do this by instructing the fiduciary of your HSA to direct transfer the money to the fiduciary of another HSA in your name. You should set up the HSA that will receive the direct transfer before you start the direct transfer. The "fiduciary" is the trustee, custodian, or insurance company that issues the HSA. A direct transfer can be made without worrying about the once-a-year rule, and a direct transfer does not count as a rollover for purposes of applying the once-a-year rule to a later rollover.

**Rollovers.** You can move money between HSAs by withdrawing the money from your HSA and contributing part or all of the distribution to the same or another HSA in your name. You can roll over a distribution only if you meet these tests:

**60-day rule.** You must contribute the money to an HSA within 60 days after you receive the distribution. The 60-day period may be extended if the money cannot be withdrawn from a financial institution because it is in financial trouble.

**Once-a-year rule.** An HSA distribution cannot be rolled over if any other distribution from the same HSA has been rolled over during the preceding 365 days. An HSA distribution also cannot be rolled over if the distributing HSA has received a rollover contribution from an HSA during the preceding 365 days.

### Q13: Can I move money from any other plans to my HSA?

**A13: Archer MSAs.** You can direct transfer funds from your Archer MSA to your HSA. You can also roll over a distribution from your Archer MSA to your HSA within 60 days after you receive the distribution.

**Traditional IRAs.** An eligible individual can use a direct rollover to move money from most traditional IRAs to an HSA. The exceptions are that the money cannot come from an IRA that will receive SEP or SIMPLE contributions from an employer whose tax year ends during the individual's tax year.

## CREDIT UNION HSA DISCLOSURE STATEMENT (Continued)

An individual can generally make this type of direct rollover only once in a lifetime.

This type of transaction is considered a regular HSA contribution, and it reduces the other HSA contributions that can be made for the year in which the transaction occurs.

**FSAs and HRAs.** An eligible individual can use a direct rollover to move money from a health flexible spending account (FSA) or health reimbursement arrangement (HRA) to an HSA. The amount that can be transferred cannot exceed the lesser of (a) the balance of the FSA or HRA on 9/21/2006 or (b) the balance of the FSA or HRA on the date of distribution. The direct rollover must occur by the end of 2011. An individual can only make one of these direct rollovers from each FSA or HRA. Such a direct rollover is treated as a rollover contribution.

**Other tax-advantaged plans.** There are no provisions in the tax laws that authorize a rollover or transfer to an HSA from a Roth individual retirement account (IRA), a qualified retirement plan (QRP), or an education savings account (ESA). There are also no provisions in the tax law that authorize a rollover or transfer from an HSA to any other type of tax-advantaged saving arrangement.

### **Q14: What if too much is contributed to my HSA?**

**A14:** If your employer made HSA contributions in excess of your contribution limit, the excess is included in your gross income. If you or someone else made HSA contributions in excess of your contribution limit, the excess is not deductible. In either case, you should address the excess contribution situation.

### **Withdraw the excess contribution before the early withdrawal deadline.**

Contributions that exceed the contribution limit for a year can be withdrawn tax-free up until the deadline for filing your federal income tax return for the year for which the contributions were made, including filing extensions. The income attributable to the withdrawn contribution must also be withdrawn, and it is taxable income in the year in which it is received. A contribution that is permitted by the tax laws cannot be withdrawn under this rule.

If you timely filed your tax return for the year, then your deadline is automatically extended for six months after the original tax filing deadline. For example, if you filed your return by April 15, then you can withdraw the excess contribution until October 15. You must file an amended tax return reflecting the tax effects of the transaction within three years after your filing deadline and write "Filed pursuant to section 301.9100-2" at the top of the amended return. The amended return must reflect the tax effects of the withdrawal (including a report of the income attributable) and include an explanation of the withdrawal.

**Excess contribution tax.** Excess contributions that are not withdrawn by the early withdrawal deadline are subject to a nondeductible 6% excess contribution tax for the year in which the contribution was made

and each year thereafter until the excess is eliminated.

**Withdraw the excess contribution after the early withdrawal deadline.** You can correct an excess contribution situation by receiving a taxable distribution from your HSA.

### **Q15: How can I use the money in my HSA?**

**A15:** The money in your HSA can be distributed tax-free up to the amount of the qualified medical expenses that you pay. Qualified medical expenses are amounts you pay for certain types of medical care for yourself, your spouse, and your dependents, but only to the extent such amounts are not covered by insurance or another health plan.

You can use an HSA distribution to pay or reimburse any qualified medical expenses incurred after your first HSA was established, including expenses incurred in a prior year. HSA distributions are tax-free to the extent that the aggregate HSA distributions since you established your first HSA do not exceed the aggregate qualified medical expenses incurred during the same time period.

You are responsible for determining whether a cost is a qualified medical expense. You must keep records sufficient to show that: (1) the distributions were to pay qualified medical expenses or to reimburse you for qualified medical expenses you paid from other sources, (2) the expenses were not paid or reimbursed from another source (such as insurance), and (3) the expenses were not taken by anyone as a tax deduction.

### **Q16: What are qualified medical expenses?**

**A16:** Your qualified medical expenses are the amounts you pay for certain types of medical care for yourself, your spouse, and your dependents, but only to the extent such amounts are not covered by insurance or otherwise reimbursed. You can pay the medical expenses of your spouse or dependent even if that person is covered by a health plan that is not an HDHP or that person also has an HSA.

The uninsured portion of the cost of the following types of medical care is a qualified medical expense if it is incurred for you, your spouse, or your dependents:

1. The costs incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. This includes prescription and nonprescription drugs used for these purposes (but not nonprescription dietary supplements).
2. Transportation primarily for and essential to medical care referred to above.
3. Qualified long-term care services.
4. Premiums for health insurance obtained under the federal COBRA rules following termination of employment.
5. Qualified long-term care insurance premiums up to the amount that could be deducted if paid from another source under the limits in IRC 213(d)(10).

6. Health insurance premiums while you are receiving unemployment compensation.

7. Premiums for health insurance after you are enrolled in Medicare, except for Medicare supplemental insurance.

### **Q17: What happens if HSA withdrawals exceed qualified medical expenses?**

**A17:** Distributions in excess of qualified medical expenses are subject to income tax in the year in which you receive the money. These distributions are usually subject to an additional 10% tax, except that the additional 10% tax does not apply (a) if you are disabled, (b) if you have reached age 65, or (c) after your death.

### **Q18: What happens to my HSA after my death?**

**A18:** You may designate one or more beneficiaries to receive the balance of your HSA after your death. If you do not designate a beneficiary or if none of the beneficiaries you designate are alive on the day after your death, then your HSA will be paid to your surviving spouse. If you do not have a surviving spouse, then it will be paid equally to your children. If you are not survived by any children, then it will be paid to your estate. The community or marital property laws of your state may grant your surviving spouse a portion of your HSA regardless of your designation of beneficiaries.

If your spouse is the only beneficiary of your HSA, then your spouse will become the owner of the HSA. Your spouse will be able to use the HSA to pay medical expenses or transfer the assets of the HSA to another HSA set up by your spouse.

If anyone other than your spouse is the beneficiary of your HSA, then the account ceases to be an HSA on the date of your death. The value of the HSA at the time of your death is generally included as income on the beneficiary's income tax return for that year. But the taxable amount is reduced by the amount of qualified medical expenses that were incurred by the decedent and were paid by the beneficiary who received the HSA within one year after the date of death.

If your estate is the beneficiary, then the value of the HSA at the time of your death is included as income on your final personal income tax return for the year of your death. The taxable amount is not reduced by the amount of medical expenses paid by the estate.

### **Q19: What are my responsibilities in connection with my HSA?**

**A19:** You are responsible for making sure that the HSA contributions made to your HSA do not exceed your contribution limits. You are responsible for making sure that the distributions that you receive from your HSA do not exceed the qualified medical expenses that you pay for yourself, your spouse, and your dependents. You are also responsible for maintaining records to prove to the IRS that your HSA contributions and distributions do not exceed applicable limits.