



Employer Primer

Enrollment Processes

E Federal Credit Union makes opening an HSA quick and easy for your employees.

For complete information on how your employees can open an HSA, please visit the [Sign Up Now](#).

Invoicing

E Federal Credit Union offers invoicing services to employers. Your company can be invoiced either on a monthly basis or as an annual fee prepaid.

Contributions

Annual Contribution Limits

The IRS determines the maximum amount that can be contributed to the HSA in a calendar year. Contributions made to the HSA prior to April 15th of the current year, can be applied to the previous tax year. For example, if a contribution is made on April 1, 2009, then it can be applied to the 2008 tax year. For current contribution limits and information, please view the "Contributing to an HSA" section of the [Frequently Asked Questions](#) page.

The IRS reviews these limits on an annual basis and adjusts them as needed. Employees do not need to prorate their contributions, so long as they have high deductible health plan coverage on December 1st of the year coverage began, and they maintain that coverage until December 31st of the following year.

Employees that switch mid-year from single or family coverage to the other will need to prorate their contributions based on the IRS-determined contribution limits for the new type of coverage. If contributions are not prorated, and qualifying HDHP coverage ends prior to completion of the required period, excess contributions will be subject to income tax and a tax penalty.

All contributions, regardless of their source (you, your employee, and/or IRA rollovers), count toward the contribution limit. Since you and your employees can make contributions to the HSA, it is important to coordinate contributions to avoid excess contributions and tax penalties.

HRA or FSA Rollovers

You have the option to roll HRA or FSA funds into your employees' HSAs on a one-time-only basis, which provides your employees with funds for medical expenses from day one. If your FSA plan allows FSA extensions, your employees can contribute to the HSA if the FSA balance is zero on January 1st, or if the FSA balance was rolled over to an HSA prior to January 1st. Consult your tax advisor or the IRS for details and reporting requirements regarding taxation of fund rollovers and other stipulations.

Catch-up Contributions

The IRS allows individuals that are age 55 or older, and not enrolled in Medicare, to make catch-up contributions to their HSAs. For current catch-up contribution limits and information, please view the "Contributing to an HSA" section of the [Frequently Asked Questions](#) page.

Comparable Contributions – IRS Guidelines

According to the IRS, your contributions to employee HSAs must be comparable between all eligible employees. The comparability testing period is based on a calendar year and determined on a monthly basis.

Contributions are comparable if they are either:

1. The same amount, or
2. The same percentage of the annual contribution limit.

The single and family categories are tested for comparability separately. The family categories of self plus one, self plus two, and self plus three or more are tested separately. However, if you contribute to these categories, you may not contribute less to the self plus three or more category than is being contributed to the self plus two category; and the self plus two category may not be less than the self plus one category.

As of January 1, 2007, the IRS allows an employer to make additional contributions to non-highly compensated employees' HSAs (Non-HCE) as an exception to the comparability rules (defined under Code § 414(q)). However, the additional contributions must be comparable to all lower-paid employees.

The comparability rules do not apply to your contributions made through a Section 125 cafeteria plan. You may make matching contributions through a Section 125 cafeteria plan (non-discrimination rules apply).

Employer Contribution Options

If your company wishes to make contributions to employees' HSAs, you have four options. First, you may arrange with your payroll processor for direct deposit of the contributions to the individual HSAs. Second, you may have E Federal Credit Union move funds from a business deposit account you establish at E Federal Credit Union. Third, you may set up an ACH origination relationship with E Federal Credit Union, allowing E Federal Credit Union to pull the contributions from an account of your choice at some other depository institution based on your instructions. Finally, you can always provide us with a paper check together with instructions for how you would like the funds allocated to the employees' accounts.

Distributions

Qualified Medical Expenses

HSA funds are always tax-free when used to pay for Qualified Medical Expenses (QMEs). The Internal Revenue Service determines what constitutes a QME. A list of QMEs can be found in Publication 502, distributed by the IRS. The publication is available for download at www.irs.gov/pub/irs-pdf/p502.pdf.

A partial list of Qualified Medical Expenses includes:

- Chiropractic Doctor visits
- Medications (including many over-the-counter drugs and medical supplies)
- Eyeglasses
- Surgical Procedures
- Therapy (e.g. psychiatry, physical)
- Dental
- Certain medical equipment
- Coinsurance (patient's portion after deductible)

A partial list of items that are not considered Qualified Medical Expenses include:

- Weight loss programs
- Athletic club membership
- Cosmetic Surgery
- Health programs offered by resort hotels, health clubs & gyms
- Scientology® counseling
- Special foods and beverages

Federal Tax Reporting

E Federal Credit Union will provide a 1099-SA and 5498-SA form to the employee and the IRS for each individual HSA. As the employer, your company is not responsible for validating that HSA funds were used for any particular purpose. Your company is responsible for providing any pre-tax contribution amount in Box 12 on your employees' W-2s. For contributions made by the employer or by the employee via payroll deduction, no income or payroll tax will apply at the federal level. Depending on the location of the employer, state payroll taxes may or may not apply.

Account Access & Maintenance

As part of the E Federal Credit Union program, your employees will receive a free debit card which they can use to access their HSA funds to pay for qualified medical expenses at the doctor's office or any other merchant accepting VISA®. E Federal Credit Union will also provide free checks that the employees can use to either pay for medical expenses or to reimburse themselves for medical expenses paid out-of-pocket. Employees can also withdraw funds from the account by filling out a withdrawal form, and either mailing it in or bringing it into a branch.

The withdrawal form, along with account applications, contribution forms, transfer forms, and change of beneficiary forms are available online by visiting the [Downloadable Forms](#) page.

To deposit their own funds into their HSAs, your employees can mail a check along with the contribution form, or bring the contribution form and a deposit into a branch.

Your employees will be able to see recent transactions and HSA balances online through E Federal Credit Union's online service ExPressBranch at www.efedcu.org. They can also find out their account balance and recent transactions via ExPress Telephone Teller at 225-214-6852. Each of these services is normally available 24/7/365.

Finally, your employees will have the convenience of coming into any E Federal Credit Union branch location where we will be happy to provide any other services related to the HSA. Contribution, distribution, and change of beneficiary forms can be sent by mail or filled out in a branch.