

An HSA completes your health benefits package.

An HSA on top of a high deductible health plan (HDHP) benefits you and your employees.



By offering your employees a health insurance plan that is compatible with a health savings account (HSA), your business can save money while your employees save for their future medical expenses.

- ✓ The contributions that you make to your employees' HSAs are deductible on your business's federal income tax return.
- ✓ HDHP participants generally pay lower health insurance premiums.
- ✓ The business spends less on health insurance coverage.
- ✓ HSA distributions that are used to pay qualified medical expenses are tax-free.
- ✓ Any unused HSA balance carries over from year to year, and can be used for future medical expenses, or, potentially, as another source of retirement income.

An HSA can help support the overall health of your employees and your business—now and in the future.

As the cost of health insurance continues to rise along with the price of healthcare, an HSA gives individuals some control over their medical spending.

Eligibility

To have an HSA, your employees must be covered by an HSA-compatible high deductible health plan (HDHP). An HDHP that is HSA-compatible is one that satisfies the IRS' annual deductible and out-of-pocket expense dollar limits. Check with your insurance provider to see if your health plan is HSA-compatible.

HSA-Compatible HDHP Amounts*

| | Year | Self-only coverage | Family coverage |
|--------------------------------|------|--------------------|-----------------|
| Minimum annual deductible | 2025 | \$1,650 | \$3,300 |
| | 2026 | \$1,700 | \$3,400 |
| Maximum out-of-pocket expenses | 2025 | \$8,300 | \$16,600 |
| | 2026 | \$8,500 | \$17,000 |

An HSA-compatible HDHP is a low-cost approach to health care coverage for many employers and an affordable option for many employees. An HDHP has a higher annual deductible and out-of-pocket expense limit than traditional health plans, but the premiums are lower. Insured individuals generally pay out of pocket for medical expenses incurred (excluding certain preventive care expenses) until they meet the deductible amount. Plan coverage kicks in after that.

In addition to having HSA-compatible HDHP coverage, your employees

- cannot be covered by any other non-HDHP (with limited exceptions),
- cannot be enrolled in Medicare, and
- cannot be eligible to be claimed as a dependent on another person's tax return.

HSA eligibility is determined as of the first day of each month.

Contributions

Once you've decided to offer an HSA-compatible HDHP, don't forget the HSA. As an employer, you are allowed to make—and deduct—contributions to your eligible employees' HSAs.

If you choose to make HSA contributions on behalf of your employees, you generally must make comparable HSA contributions for all eligible employees in similar positions or situations within your company. But you choose how much to contribute each year. While there is no required contribution amount, there is a contribution limit per employee, based on the type of insurance coverage the employee has

(family vs. self-only). The limit includes any amounts your employees contribute on their own, as well.

HSA Contribution Limits*

| Year | Self-only coverage | If age 55 or older | Family coverage | If age 55 or older |
|------|--------------------|--------------------|-----------------|--------------------|
| 2025 | \$4,300 | \$5,300 | \$8,550 | \$9,550 |
| 2026 | \$4,400 | \$5,400 | \$8,750 | \$9,750 |

You have until the employee's tax return due date for each tax year (generally April 15) to make HSA contributions. You must report contributions, including those made through a cafeteria plan, on IRS Form W-2.

Distributions

HSA owners have complete ownership and control of their HSAs and can take money out at any time, for any reason. But to avoid taxes, any money taken out must be used for qualified medical expenses incurred by either the HSA owner, the owner's spouse, or any covered dependents.

HSA distributions not used for qualified medical expenses are subject to ordinary income tax and, if taken before age 65, a 20 percent IRS penalty tax (unless death or disability has occurred).

An HSA-compatible HDHP may strengthen your employee benefits package—and your employees' ability to tackle costly medical bills. Consult with a competent business or tax advisor to determine if the HSA/HDHP option is right for your business.

For More Information

We'd be happy to answer your HSA questions.

*Subject to annual cost-of-living adjustments.

