SUMMARY HEALTH SAVINGS ACCOUNTS (HSAs)
House Ways & Means Committee

- What they provide: tax-free savings for health needs. HSAs allow families to accumulate tax-free savings to pay for qualified medical expenses, increasing consumer resources for families.

- HSAs cover a wide variety of medical expenses. HSA funds can be spent on prescription drug costs, retiree health insurance (after age 65, including Part B premiums), long term care services and insurance, COBRA coverage, and the costs of medical services. Those not receiving employer-provided coverage can use their HSA funds to buy insurance.

- HSAs are completely portable: the bill specifies that contributions and earnings belong to the accountholder, not an employer. In addition, HSA savings can be passed to your spouse tax free for use in paying medical expenses.

- Funding for HSAs is flexible: Eligible accountholders and employers can make pre-tax contributions to an HSA. In addition, up to $500 of unused balances from a Flexible Spending Account may be transferred to an HSA on a tax-free basis. Annual contributions are $2,000 annually for singles and $4,000 annually for families.

- How much can you contribute: $2,000 per year for individuals with self-coverage policies, $4,000 for accountholders with family coverage.

- Who's eligible: taxpayers who have incomes within the limits for deductible IRAs. This means singles with up to $45,000 in income next year and up to $65,000 for joint filers and heads of household will be able to have an account. The limits will expand under current law to $50,000 for singles after 2004 and to $80,000 for joint filers and heads of households in 2007.

- What do you need to do: accountholders must either have an insurance plan with a minimum deductible of $500 for singles ($1,000 for family coverage) or be uninsured.

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