



New 2007 Health Savings Account (HSA) Rules

HSA Contribution Limits

Old Rule

Consumers could only contribute the lesser of the plan deductible or the statutory limit.

New Rule

Consumers can now contribute up to the annual maximum amount regardless of their deductible as long as they are enrolled in a qualified HSA plan as of December 1st and meet certain conditions. Maximum contribution amounts for 2007: \$2850 for individuals and \$5650 for families

Pro-Ration of Contribution Limits

The maximum annual contribution was pro-rated based on the number of months the account holder was eligible during the year.

Pro-ration of the maximum contribution no longer applies if consumers join an HSA plan late in the year as long as the consumer is enrolled by December 1st of the tax year and remains enrolled in the plan for the following year.*

Timing for Changes in Limits

The contribution limits were typically released by the U.S. Treasury in late October or early November in the preceding year.

The maximum contribution limit will now be subject to an annual cost-of-living increase which will be communicated by June 1st of the preceding year by the U.S. Treasury.

IRA to HSA Transfer

Funds could not be transferred from an IRA to an HSA.

Consumers are now able to make a one-time, tax-free trustee-to-trustee transfer from an IRA to an HSA. The individual must remain enrolled until the same date the following year.*

FSA or HRA to HSA Transfer

Pre-tax funds could not be transferred from an FSA or HRA to an HSA.

Employers can allow employees to make a one-time tax-free transfer of certain amounts from an FSA or HRA to an HSA (provided the FSA or HRA was available as of September 21, 2006). The employee must remain enrolled until the same date of the transfer the following year in order to treat the transfer as a pre-tax transaction.*

FSA 2 1/2 Month Grace Period

A consumer was ineligible for an HSA until the first day of the month following the FSA grace period (not to exceed 2 1/2 months).

Consumers in an FSA can contribute to an HSA as well if their FSA balance is zero at the end of the preceding year. Or, if the consumer is eligible and the employer permits, a consumer can transfer the FSA balance as a one-time transfer to their HSA.

Comparable Contributions

An employer was required to make comparable contributions for all participating employees regardless of compensation differences.

Employers may under certain conditions be eligible to make higher contributions for "non-highly compensated employees" without a cafeteria plan. Employer contributions to an HSA based on completion of wellness activities would still require funding through a cafeteria plan.

*If this 12 month requirement is not met, then the contributions become taxable and an additional 10% excise tax will be levied.

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