

2016 HSA MAXIMUM CONTRIBUTIONS



Every year the Internal Revenue Service (IRS) sets maximum contribution limits for health savings accounts (HSAs). Failure to observe these limits may result in tax penalties as outlined in irs.gov/pub/irs-pdf/p969.pdf. PayFlex is required to report HSA contribution information to the IRS.

The chart below outlines the contributions amounts provided by the State, employee annual maximum contribution to avoid tax penalties, and 2016 IRS annual maximum contribution limit.

HSA Contribution			
Coverage Type	State Contribution	Employee Annual Contribution Maximum	Annual IRS Contribution Maximum
Employee	\$27.69 per pay period Up to \$719.94 annually ¹	\$2,630.06	\$3,350.00
Employee + Adult	\$55.38 per pay period Up to \$1,439.88 annually ¹	\$5,310.12	\$6,750.00
Employee + Child	\$55.38 per pay period Up to \$1,439.88 annually ¹	\$5,310.12	\$6,750.00
Family	\$55.38 per pay period Up to \$1,439.88 annually ¹	\$5,310.12	\$6,750.00

¹Subject to effective date of enrollment and remaining pay periods.

Eligibility to Contribute

Your eligibility to contribute to an HSA for each month is generally determined by whether you have High Deductible Health Plan (HDHP) coverage on the first day of the month. If you are enrolled in Medicare or Medicaid, you are not eligible for an HSA Plan. If you had HSA when you enrolled in Medicare or Medicaid you can still use the funds. You just cannot contribute to the account. Medicare members are not eligible to contribute to a HSA account effective the month of Medicare entitlement (effective date of Medicare Parts A and/or B).

Contribution Limit

The amount that you can contribute to an HSA is based on a number of factors. These include the coverage type, how long you are enrolled in the HSA plan, your age, and annual IRS contribution amount. Examples have been included below:

Example #1

An employee younger than 55 years old enrolled in employee only coverage in the HDHP from January 1st – December 31st may contribute up to \$2,630.06. The amount is calculated by taking the IRS Maximum (\$3,350.00) - State Contribution (\$719.94) = Employee Max Contribution (\$2,630.06)

An employee can reach the maximum contribution amount by making 26 payroll deductions of approximately \$101.16 per pay period.

Example #2

An employee younger than 55 years old enrolled in employee only coverage in the HDHP from March 1st – December 31st may contribute up to \$2,210.00. The contribution maximum is prorated based on the length of coverage on the plan. $\{(\$3,350.00) / 12 \times 10\text{-Months of Coverage} (\$2,791.70) - \text{State Contribution} (\$27.69 \times 21)\} = \text{Prorated Employee Contribution Amount} (\$2,210.00)$.

An employee can reach the maximum contribution amount by making 21 payroll deductions of approximately \$105.24 per pay period.

Example #3

An employee older than 55 years old enrolled in family coverage from January 1st – December 31st may contribute up to \$6,209.86. This amount is calculated by taking IRS Maximum (\$6,750.00) + Additional Age Contribution (\$1,000.00) - State Contribution (\$1,439.88) = Employee Maximum Contribution (\$6,310.12).

An employee can reach the maximum contribution amount by making 26 payroll deductions of approximately \$242.70 per pay period.

Example #4

An employee younger than 55 enrolled in employee only coverage in the HDHP from January 1st – March 31st who changes effective April 1st to employee + child coverage may contribute up to the prorated IRS maximum of \$5,834.73. The amount is based on prorating the IRS Maximum for each coverage type $\{(\$3,350.00 / 26 \times 7 = \$901.95 \text{ employee only}) \text{ and } (\$6,750.00 / 26 \times 19 = \$4,932.78 \text{ employee + child})\}$ - the prorated State Contribution for each coverage type $\{(\$27.69 \times 7 = \$193.83 \text{ employee only}) \text{ and } (\$55.38 \times 19 = \$1,052.22 \text{ employee + child})\}$ = Prorated Employee Maximum Contribution (\$4,588.68) $\{(\$708.12 \text{ employee only}) \text{ and } (\$3,880.56 \text{ employee + child})\}$.

An employee can reach the maximum contribution amount by making payroll deductions of \$101.16 (January 1st – March 31st) and \$204.24 (April 1st – December 31st).

Contribution Options

All contributions made to the Health Savings Account are subject the annual IRS maximum amount as indicated in the chart above. Using the chart above you may calculate the amount of contributions you can elect using the following methods:

- Payroll deductions up to 26 pay periods annually
- Checks, or money orders
- Electronic funds transfer from personal bank account
- Rollover from IRA (one-time transfer from IRA up to permitted annual HSA contribution limit)
- Trustee to Trustee transfer from Archer MSA or other HSA

Additional Contribution

For 2016, if you are an eligible individual who is age 55 or older, your contribution limit is increased by \$1,000.

Reduction of Contribution Limit

You must reduce the amount that can be contributed (including any additional contribution) to your HSA by the amount of any contribution made to your Archer MSA for the year. A special rule applies to married people if each spouse has family coverage under separate HDHPs.

When You Can Contribute

Although we report contributions in the calendar year they are made to your HSA, you can make direct contributions to your HSA designated for 2016 until April 15, 2017.

Additional Resources

For more information about the HSA programs you may contact:

Aetna 1-866-217-1953 aetna.com Policy Number 476687	Payflex 1-866-217-1593 payflex.com	Arizona Department of Administration Benefit Services Division 602-542-5008 or 1-800-304-3687 benefitoptions.az.gov
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