

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 Publication 969. PayFlex is required to report HSA contribution information to the IRS.

The chart below outlines the contribution amounts provided by the State, the employee annual maximum contribution to avoid tax penalties, and the 2020 IRS annual maximum contribution limit.

<b>HSA CONTRIBUTIONS - 2020</b>			
<b>Coverage Type</b>	<b>State Contribution</b>	<b>Employee Annual Contribution Maximum</b>	<b>Annual IRS Contribution Maximum</b>
Employee	\$27.69 per pay period Up to \$719.94 annually <sup>1</sup>	\$2,830.06	\$3,550.00
Employee + Adult	\$55.38 per pay period Up to \$1,439.88 annually <sup>1</sup>	\$5,660.12	\$7,100.00
Employee + Child			
Family			

<sup>1</sup>Subject 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 Options**

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

- Pre-tax 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 2020, if you are an eligible individual who is age 55 or older, your contribution limit may be 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

We report calendar year contributions you made to your HSA from your paycheck. You can make direct contributions to your HSA designated for 2020 until April 15, 2021, contact Payflex to find out how.

## 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 HDHP, your age, and annual IRS contribution amount. Examples have been included below:

<b>Example #1:</b> <i>An employee younger than 55 years old enrolled in the HDHP with <u>employee only</u> coverage from January 1 – December 31</i>	IRS Maximum	\$3,550.00
	State Contribution	- 719.94
	Employee Max Contribution	\$2,830.06
	<b>26 payroll deductions of approximately \$108.85 per pay period</b>	

<b>Example #2:</b> <i>An employee younger than 55 years old enrolled in the HDHP with <u>employee only</u> coverage from March 9-December 31. The contribution maximum is prorated based on the length of coverage left on the plan.</i>	IRS Maximum ( $\$3,500 \div 12 \times 10$ months of coverage)	\$2,958.33
	State Contribution ( $\$27.69 \times 21$ pay periods)	- 581.49
	Employee Max Contribution	\$2,376.84
	<b>21 payroll deductions of approximately \$113.18 per pay period</b>	

<b>Example #3:</b> <i>An employee older than 55 years old enrolled in <u>family</u> coverage from January 1-December 31.</i>	IRS Maximum	\$7,100.00
	Additional Age Contribution	+1,000.00
	State Contribution	-1,439.80
	Employee Max Contribution	\$6,660.20
<b>26 payroll deductions of approximately \$256.16 per pay period</b>		

<b>Example #4:</b> <i>An employee younger than 55 enrolled in the HDHP with <u>employee only</u> coverage on January 1 has a Qualified Life Event to change to <u>employee + child</u> coverage effective April 6. The contribution maximum is calculated by prorating the IRS maximum for each coverage type.</i>	<b>Employee Only January 1 – April 5</b>		<b>Employee + Child April 6 – December 31</b>	
	IRS Maximum ( $\$3,550 \div 26$ total pay periods = \$136.54 $\$136.54 \times 8$ pay periods)	\$1,092.32	IRS Maximum ( $\$7,100 \div 26$ total pay periods = \$273.08 $\$273.08 \times 18$ pay periods)	\$4,915.44
State Contribution ( $\$27.69 \times 8$ pay periods)	- 221.52	State Contribution ( $\$55.38 \times 18$ pay periods)	- 996.84	
Employee Max Contribution	\$870.80	Employee Max Contribution	\$3,918.60	
<b>8 payroll deductions of approximately \$108.85 per pay period</b>		<b>18 payroll deductions of approximately \$217.70 per pay period</b>		

For more information about the HSA programs you may contact:

**Aetna** (Policy Number 476687)

1-866-217-1953 or visit their website at [aetna.com](http://aetna.com)

**Payflex**

1-866-217-1593 or visit their website at [payflex.com](http://payflex.com)