372. What are the limits on amounts contributed to a Health Savings Account (HSA)?

An eligible individual may deduct the aggregate amount paid in cash into an HSA during the taxable year, up to $3,300 for self-only coverage and $6,550 for family coverage in 2014.[[1]](#footnote-1) For 2015, HSA contribution limits increase to $3,350 for self-only coverage, and $6,650 for family coverage.[[2]](#footnote-2)

For 2006 and prior years, the contribution and deduction were limited to the lesser of the deductible under the applicable HDHP or the indexed annual limits for self-only coverage or family coverage.[[3]](#footnote-3)

The determination between self-only and family coverage is made as of the first day of the month. The limit is calculated on a monthly basis and the allowable deduction for a taxable year cannot exceed the sum of the monthly limitations, but see below for the rule applicable to newly eligible individuals, for the months during which an individual was an eligible individual ([Q 370](http://pro.moss.nuco.com/taxfacts2015/tfins/p4-healthins/heamsas/ingen/Pages/0370-00-TF1.aspx)).[[4]](#footnote-4)

For example, a person with self-only coverage under an HDHP would be limited to a monthly contribution limit of $279 for 2015 ($3,350 divided by 12). If a person was an eligible individual for only the first eight months of a year, the contribution limit for the year would be $2,232 (eight months multiplied by the monthly limit of $279). Although the annual contribution level is determined for each month, the annual contribution can be made in a single payment, if desired.[[5]](#footnote-5)

Individuals who attain age fifty-five before the close of a taxable year are eligible for an additional contribution amount over and above that calculated under IRC Section 223(b)(1) and IRC Section 223(b)(2). The additional contribution amount is $1,000 for 2009 and later years.[[6]](#footnote-6) In 2015, this would allow individuals age fifty-five and older a total contribution of up to $4,350; the total contribution for a family would be $7,650.

An individual who becomes an eligible individual after the beginning of a taxable year and who is an eligible individual for the last month of the taxable year shall be treated as being an eligible individual for the entire taxable year. For example, a calendar-year taxpayer with self-only coverage under an HDHP who became an eligible individual for December 2015 would be able to contribute the full $3,350 to an HSA in that taxable year. If a taxpayer fails at any time during the following taxable year to be an eligible individual, the taxpayer must include in his or her gross income the aggregate amount of all HSA contributions made by the taxpayer that could not have been made under the general rule. The amount includable in gross income also is subject to a 10 percent penalty tax

For married individuals, if either spouse has family coverage, then both spouses are treated as having family coverage and the deduction limit is divided equally between them, unless they agree on a different division (note that this now applies to same sex couples equally, see Q 378). If both spouses have family coverage under different plans, both spouses are treated as having only the family coverage with the lowest deductible.[[7]](#footnote-7)

**Planning Point:** Even though the tax code refers to “family” HDHP coverage and provides for a “family” HSA contribution limit, all HSAs are individual accounts.[[8]](#footnote-8) The lack of a family HSA generally does not hurt HSA account owners as most desired goals can be accomplished through individual HSAs. The HSA can still be used for qualified medical expenses of a spouse and dependents. The higher family HSA contribution limit applies to an eligible individual covered under a family HDHP plan. A spouse or child can be named as an authorized signer on the HSA allowing for the family to have direct access to the HSA through checks or debit cards issued in the family member’s name.

The lack of a family HSA, however, can complicate making HSA contributions. A common example of this is the catch-up contribution for individuals over age 55. A married couple with each spouse over the age 55 will have to open two HSAs to maximize their overall HSA contribution because the catch up contribution must be contributed to each respective spouse’s individual HSA. Another implication is for employer contributions and pre-tax payroll deferral through an employer. All pre-tax employer contributions must be made into the HSA of the employee and cannot be contributed to an HSA of the employee’s spouse. Opening two HSAs, one in the name of each spouse, is generally the answer to complications arising from the individual nature of HSAs. This approach works well but is counter intuitive to many taxpayers hearing about “family” HSAs and frustrating given a general desire by many to keep the number of financial accounts to a minimum, especially when there are fees associated with the account.

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An HSA may be offered in conjunction with a cafeteria plan ([Q 3501](http://pro.moss.nuco.com/taxfacts2015/tfempb/p2-cafplan/ingen/Pages/3501-00-TF1.aspx)). Both a high deductible health plan and an HSA are qualified benefits under a cafeteria plan.[[9]](#footnote-9)

Employer contributions to an HSA are treated as employer-provided coverage for medical expenses to the extent that contributions do not exceed the applicable amount of allowable HSA contributions.[[10]](#footnote-10)

An employee will not be required to include any amount in income simply because he or she may choose between employer contributions to an HSA and employer contributions to another health plan.[[11]](#footnote-11)

An employer generally can deduct amounts paid to accident and health plans for employees as a business expense ([Q 313](http://pro.moss.nuco.com/taxfacts2015/tfins/p4-healthins/empprovheains/empded/Pages/0313-00-tf1.aspx)).

An individual may not deduct any amount paid into his or her HSA; that amount is excludable from gross income under IRC Section 106(d).[[12]](#footnote-12)

No deduction is allowed for any amount contributed to an HSA with respect to any individual for whom another taxpayer may take a deduction under IRC Section 151 for the taxable year.[[13]](#footnote-13)

1. . IRC Secs. 223(a), 223(b)(2); Rev. Proc. 2010-22, 2010-1 CB 747; Rev. Proc. 2009-29, 2009-1 CB 1050. [↑](#footnote-ref-1)
2. . Rev. Proc. 2013-25. [↑](#footnote-ref-2)
3. . IRC Sec. 223(b)(2), prior to amendment by TRHCA 2006. [↑](#footnote-ref-3)
4. . IRC Sec. 223(b)(1). [↑](#footnote-ref-4)
5. . IRC Sec. 223(b); Notice 2004-2, 2004-1 CB 269, A-12. [↑](#footnote-ref-5)
6. . IRC Sec. 223(b)(3). [↑](#footnote-ref-6)
7. . IRC Sec. 223(b)(5). [↑](#footnote-ref-7)
8. IRC Sec. 223 (d) (3). [↑](#footnote-ref-8)
9. . IRC Sec. 125(d)(2)(D). [↑](#footnote-ref-9)
10. . IRC Sec. 106(d)(1). [↑](#footnote-ref-10)
11. . IRC Secs. 106(b)(2), 106(d)(2). [↑](#footnote-ref-11)
12. . SeeIRC Sec. 223(b)(4). [↑](#footnote-ref-12)
13. . IRC Sec. 223(b)(6). [↑](#footnote-ref-13)