380.01 May an account owner pay for a child’s medical expenses until the child reaches the age of 26?

The law provides that a parent can use an HSA to pay for the qualified medical expenses of a tax dependent.[[1]](#endnote-1) Dependents includes children, but generally not children over 19; or if still in school, over age 24. If the HSA account owner cannot claim the child as a dependent, then the HSA account owner cannot use the HSA to pay for the child’s medical expenses.

#### The Affordable Care Act’s requirement that children can remain on the parents’ health plan until age 26 has created an inconsistency for HSAs in this regard for some children. The child can remain covered by the parent’s HDHP insurance, but the parent cannot use the related HSA to pay for the medical expenses of the child unless the child remains a tax dependent. The other side of this situation is that the child would very likely be eligible for her own HSA and could make a contribution at the family contribution level (this assumes the child is not a dependent, is covered under the parent’s family HDHP, and is otherwise eligible for an HSA).

A more logical approach to this issue may be to take away a non-dependent child’s eligibility for an HSA, but allow the parent to use the parent’s HSAs to fund the child’s medical expenses until age 26. The IRS essentially did this for FSAs and HRAs when it extended the ability of a parent to use FSA and HRA funds for a child who has not obtained age 27 by the end of the taxable year. Thisguidance did not extend to HSAs.[[2]](#endnote-2) Congress or the IRS may provide additional guidance on this issue in the future.

1. IRC Sec 223 (d)(2)(A). [↑](#endnote-ref-1)
2. IRS Notice 2010-38. [↑](#endnote-ref-2)