

Comparing Various Health Care Accounts

| Feature | | Type of Account | | | |
|-------------------|---|--|---|--|----------|
| | | HSA | HRA | FSA | |
| Eligibility | Who is Eligible? | Any individual who is covered under a qualified high-deductible health plan. Individuals may not have "disqualifying" coverage, including coverage through a spouse. See IRS Publication 969 for more information on who is eligible to contribute to an HSA. | Any employee other than partners, sole proprietors or 2% or more shareholders of Subchapter S corporations, subject to employers eligibility criteria. | Any employee other than partners, sole proprietors or 2% or more shareholders of Subchapter S corporations, subject to employers eligibility criteria. | |
| | Can an employee participate in more than one of these account options? | Yes, Limited Purpose FSAs or HRAs ¹ ; and Post-Deductible HRAs or FSAs ¹ ; and suspended & retirement HRAs are permitted with HSAs. | Yes, General or Limited Purpose FSAs; Limited Purpose, Post-Deductible, suspended & retirement HRAs are permitted with HSAs. | Yes, Limited Purpose FSAs or HRAs ¹ ; and Post-Deductible HRAs or FSAs ¹ ; and suspended & retirement HRAs are permitted with HSAs. | |
| | Enrollees? | Eligible employees not enrolled in Medicare | Any active employee or retiree subject to employers eligibility criteria. | | |
| | Coverage Requirements? | Minimum Deductible Single: \$1,350 / Family: \$2,700 Maximum Out-of-Pocket Single: \$6,650 / Family: \$13,300 Self-only maximum out-of-pocket cannot exceed ACA self only maximum of \$7,350 Inflation Adjusted Some Permitted Coverages Allowed | None, typically High Deductible Plan (HDHP) | None | |
| Funding | Who Funds It? | Any combination of employee, employer or family member | Employer | Employer and/or Employee | |
| | Who Owns It? | Employee | Employer | | |
| | Must Account Be Set Up Outside of General Assets? | Yes | No and rarely is. | | |
| | Maximum Annual Contributions? | Amount allowed in excess of statutory deductible not to exceed \$3,450 single or \$6,900 family per year with \$1,000 catch up allowed for those who are 55 or older. | Determined by employer. | Limit set by employer not to exceed \$2,650. | |
| | Tax Deductibility of Contributions? | Employer Contributions are tax-deductible when paid to the participant to reimburse an expense. Employee Pre-tax contribution savings of FIT, FICA, FUTA, etc., or above the line deduction from year end contributions with or without itemization. Employer contributions are not tax deductible. | Contributions are tax-deductible when paid to the participant to reimburse an expense. N/A | Contributions are tax-deductible when paid to the participant to reimburse an expense. Pre-tax contribution savings of FIT, FICA, FUTA, etc. Employer contributions are not tax deductible. | |
| Accumulation | Can It Roll Over/Transfer? | Roll Over: Yes. They can also be transferred to another HSA Transfer: A one-time direct trustee-to-trustee transfer from one individual IRA to same individual HSA is allowed. The transfer is limited to the maximum HSA contribution for the year and the amount contributed is not allowed as a deduction. Penalties may apply if HDHP coverage does not continue for 12 months. | Roll Over: Optional Transfer: N/A | Year-end options: ² 1) Grace Period: Up to a 2 1/2 months, or: 2) Carryover: Up to \$500 (1 or 2 only, but not both) 3) Runout: Typically up to 90 days | |
| | Is It Portable Upon Termination? | Yes | No (COBRA premiums, if applicable) | No | |
| Disbursements | What's Included In Eligible Expenses? | Any QME and certain health insurance premiums for: continuing COBRA or ERISA coverage, long-term care insurance, health coverage during unemployment, coverage over age 65, including Medicare or employer retirement health benefits (not Medigap). Vision & Dental Services. Funds may not be used for most OTC drugs (see list) and medicines (other than insulin) without a directive from a medical provider. Penalty for using HSA funds for ineligible expenses is 20%. | Employer Controlled: Can be QME, plan covered expenses or narrower. Funds may no longer be used for most OTC drugs (see list) and medicines (other than insulin) without a directive from a medical provider. | Qualified Medical Expenses (QMEs). Funds may no longer be used for most OTC drugs (see list) and medicines (other than insulin) without a directive from a medical provider. | |
| | Can Balances Be Taken Out In Cash? | Yes, subject to potential penalties and taxes if not used for QME | No | | |
| | Tax | Spent on Eligible Expenses | Tax-Free | Tax-Free | Tax-Free |
| | | Cash out (due to event) ³ | Taxed as ordinary income | N/A | N/A |
| | | Cash out (no event) | Taxed as ordinary income + 20% penalty | N/A | N/A |
| Options at Death? | Can transfer tax-free to spouse's account, taxed as income for other beneficiaries. | Employer usually keeps, but could vary based on plan set-up. | Employer obligated to pay member(s) costs for eligible expenses incurred prior to death, then keeps remaining funds. | | |
| Misc. | Can the account be used for retirement income? | Yes, after age 65 funds can be withdrawn for any reason without penalty, but will be taxed as income if not used for qualified medical expenses. | No | No | |
| | Who administers? | Banks, insurers and other qualified trustees and custodians. | Employer, TPA or other administrator. | Employer, TPA or other administrator. | |

¹ A limited-purpose HRA or FSA is limited to the reimbursement of vision, dental or preventive care expenses. A post-deductible HRA or FSA will only reimburse medical expenses above the statutory deductible in an HSA-eligible high deductible health plan. See IRS Publication 969 for more information.

² The IRS guidance provides three year-end options methods without employees losing their ability to contribute the following year to HSAs.

a) an employee participating in a general-purpose FSA can elect to have unused balances carried over the next year to a limited-purpose FSA.

b) employers can design their general-purpose FSAs so that unused amounts are automatically carried over the following year into limited-purpose FSAs for those employees enrolled in health plans linked to HSAs.

c) employers can give employees — prior to the next plan year — the option to decline or waive a carryover from their general-purpose FSAs. In that situation, employees who declined to carry over the unused balances could contribute to an HSA the following year.

³ Events are Death, Disability or Medicare-eligibility

This information is not intended to be legal, accounting or other professional advice. It is intended to be for informational purposes only.

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2017/2018 CHANGES TO INDEXED FIGURES

| | Minimum Deductible for HDHPs | | | |
|---|--|--------------------|--|------------------------------|
| | 2017 | 2018 | Participant(s) | |
| HSA | \$1,300 | \$1,350 | Self-only | |
| | \$2,600 | \$2,700 | Other than self-only | |
| | Maximum Out-of-Pocket for HDHPs | | | |
| | \$6,550 | \$6,650 | Self-only | |
| | \$13,100 | \$13,300 | Other than self-only | |
| | \$7,150 | \$7,350 | Self-only maximum out-of-pocket cannot exceed ACA self-only maximum of \$7,350 | |
| | Maximum HSA Annual Contribution Levels | | | |
| | Amounts up to, regardless of statutory deductible: | \$3,400 \$6,750 | Amounts up to, regardless of statutory deductible: | \$3,450 \$6,900 |
| | Plus: | \$1,000 | Plus: | \$1,000 |
| | | | | Catch-up for age 55 and over |
| | | | PPACA Impact on HSAs | |
| | | | PPACA allows parents to keep children up to age 26 on their health plans, but HSA distributions are not allowed unless dependent is listed on parents federal income tax return. However, an adult dependent child may open own HSA and may not exceed allowable family maximum. | |
| INCOME TAX RETURNS: | | | | |
| Fund Trustee | Form 5498-SA to employee showing all amounts contributed to HSA Form 1099-SA to employee showing any distribution from HSA account | | | |
| Employer | Form W-2 to employee showing employer's contributions on box 12 with code W | | | |
| Employee | Form 1040, form W-2, form 8889 with all contributions, form 5498-SA and if applicable, form 1099-SA (form 5329 reporting if there are any excess contributions to HSA) | | | |
| PPACA | Maximum Out-of-Pocket | | | |
| | 2017 | 2018 | Participant(s) | |
| | \$7,150 | \$7,350 | Self-only | |
| | \$14,300 | \$14,700 | Other than self-only | |
| Deductible LTC Premiums | 2017 | 2018 | Ages | |
| | \$410 | \$420 | 40 or less | |
| | \$770 | \$780 | 41 to 49 | |
| | \$1,530 | \$1,560 | 50 to 59 | |
| | \$4,090 | \$4,160 | 60 to 69 | |
| | \$5,110 | \$5,200 | More than 70 | |
| Per Diem LTC Limitation | 2017 | 2018 | Notes | |
| | \$360 | \$360 | Excess amounts could be taxed as income | |
| Dependent Care Assistance | 2017 | 2018 | Notes | |
| | \$5,000 | \$5,000 | The limit is \$2,500 for each married employee filing separate returns | |
| Adoption Credit | 2017 | 2018 | Notes | |
| | \$13,570 | TBA (Nov) | Phase-out to begin for taxpayers with modified adjusted gross income in excess of \$203,540 and the credit is completely phased out for taxpayers with MAGI of \$243,450 or more. | |
| Parking & Transportation Monthly Benefits | 2017 | 2018 | Description | |
| | \$255 | \$260 | Transportation in a commuter highway vehicle and any transit pass | |
| | \$255 | \$260 | Fringe benefit exclusion amount for qualified parking | |
| Mileage Rate Deduction | 2017 | 2018 | Notes | |
| | Business miles | \$0.535 per mile | TBA (Dec) | |
| | Medical/Moving miles | \$0.17 per mile | TBA (Dec) | |
| | Charitable miles | \$0.14 per mile | TBA (Dec) | |
| | | | The IRS mileage rate begins January 1 of each year. | |
| 401(k), 403(b), most 457 plans, and the federal government's Thrift Savings Plans | 2017 | 2018 | Type | |
| | \$18,000 | \$18,500 | Maximum Elective Deferrals | |
| | \$6,000 | \$6,000 | Catch-up Contributions for participants older than age 50 | |
| IRA Contributions | 2017 | 2018 | Type | |
| | \$5,500 | \$5,500 | Limit on Annual Contribution | |
| | \$1,000 | \$1,000 | Catch-up Contributions for participants older than age 50 | |
| HCE Threshold | 2017 | 2018 | Type | |
| | \$120,000 | \$120,000 | Highly Compensated Employee | |
| | \$175,000 | \$175,000 | Key Employee, Officer | |
| Personal Exemption | 2017 | 2018 | Notes | |
| | \$4,050 | \$4,150 | Phase-outs for personal exemption amounts for single taxpayers begins with adjusted gross incomes of \$266,700 and they phase out completely at \$389,200. Phase outs for married couples filing jointly begins \$320,000 and phase out completely at \$442,500. | |
| Standard Deductions | 2017 | 2018 | Filing Status | |
| | \$12,700 | \$13,000 | Married filing joint return or surviving qualifying spouse | |
| | \$6,350 | \$6,500 | Single (other than head of household or surviving spouse) | |
| | \$9,350 | \$9,550 | Heads of Household | |
| | \$6,350 | \$6,500 | Married filing separate return | |
| Social Security Taxable Wage Base and Medicare | 2017 | 2018 | Tax Rates | |
| | \$127,200 | \$128,700 | Social Security rate of 6.2% up to the base, plus 1.45% Medicare tax to all wages (additional 0.09% Medicare tax for individual wages exceeding \$200,000, \$250,000 married filing jointly) | |
| Maximum Social Security Benefit: Retiring at Full Retirement Age | 2017 | 2018 | | |
| | \$2,687 | \$2,788 | No matter what your full retirement age (also called "normal retirement age") is, you may start receiving benefits as early as age 62. Full retirement age varies by year of birth. | |

Other changes may apply.

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