Frequently Asked Questions

About Medicare and HSA

Enrolling in Medicare has a major impact on your ability to contribute to an HSA. It is important that you and your employer are on the same page and understand the consequences of Medicare enrollment.

1 Can I or my employer continue to contribute to my HSA if I am enrolled in Medicare?

No. An individual cannot be enrolled in Medicare and continue to have tax-free contributions made to their HSA.

2 Can I continue to contribute to my HSA if I am eligible to enroll in Medicare, but choose not to?

Yes. However, an individual is not eligible in any month during which such individual is both eligible for benefits under Medicare and enrolled to receive benefits under Medicare.

3 Can I continue to use my HSA dollars to pay for qualified medical expenses after I am on Medicare?

Yes. Individuals who cease to be eligible individuals may continue to be HSA holders and may continue to use HSA distributions to pay qualified medical expenses.

4 I have contributed too much to my HSA for the current tax year. What should I do?

In order for the contribution to show as taxable income on your income taxes, you will need to request the removal before the end of December. However, you have until the tax deadline (generally April 15) of the following year to request the contribution removal in order to avoid the 6% excise tax. To do this, you will need to fill out an HSA Distribution Request Form that is found under Forms and Resources at iu.nyhart.com.

5 I have contributed too much to my HSA for the current tax year but have already spent all of my HSA funds and am not able to request an excess contribution removal. What should I do?

When completing your taxes:

- Ineligible contributions made by the individual to the HSA would not be deductible from gross income and would instead be considered an excess contribution subject to a 6% excise tax on the contribution and any earnings;
- Ineligible contributions made by the individual's employer to the HSA would not be excludable from gross income and would instead be considered an excess contribution subject to a 6% excise tax on the contribution and any earnings.

6 I signed up for Social Security Income benefits on January 1. Why do I have to make a correction to my HSA contributions made in the prior year?

When you sign up for Social Security benefits and you are past age 65, Medicare will back-date your Medicare effective date retroactive six months or back to your 65th birthday, whichever is closest. This retroactive effective date for Medicare can cause you to be ineligible to make tax-free contributions to your HSA for several months of the prior year. This means that you will need to calculate your prorated contribution maximum for that year. Any contributions made above that prorated maximum would be considered Excess Contributions. You will need to follow the instructions in Q&A 4 and 5 above to resolve the Excess Contribution issue.

7 How can I determine the maximum amount I can contribute to my HSA for a tax year?

Please see following page for guidance on calculating your personal contribution limit for an HSA.

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Calculating contribution limits

HSA contribution limits are determined on a tax year basis. If you are not eligible for all 12 months, then the IRS rules state that contribution limits must generally be prorated by the number of months you are eligible to contribute to an HSA. Your eligibility is based on your coverage status on the first day of the month.

To calculate your personal limit:

1. Take the total annual contribution limit based on your coverage type (individual or family).
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

For example, let's assume your Medicare enrollment was effective April 1. You would only be eligible to make contributions to your HSA for 3 months. Your personal contribution limit would be:

$3,500 ÷ 12 × 3 = $875

Prorating and applying catch-up contributions for age 55 and up

Catch-up contributions are also subject to proration. An individual over the age of 55 must be eligible for 12 months to contribute the total annual catch-up contribution ($1,000).

To calculate the catch-up contribution limit:

1. Take the total available catch-up contribution amount ($1,000).
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

Using the above example, you would need to prorate the $1,000 annual catch-up contribution as well. You would calculate the catch-up contribution as follows:

$1,000 ÷ 12 × 3 = $250

Your total prorated contribution maximum would be $875 + $250 = $1,125.