

# Health Savings Accounts (HSAs)

---

- **Form W-2 Box 12 Code W** – employer HSA contributions
- **Form 5498-SA** – employee HSA contributions
- **Form 1099-SA** – distributions from the HSA to the employee
- **Type of Plan: Self or Family?**
- **Number of months of coverage?**

## Background

A Health Savings Account (HSA) is a tax-favored medical savings plan offered by some employees and available to individuals and families covered by a high deductible health plan (HDHP). **Distributions** from an HSA are nontaxable if they are used for qualified medical expenses. Contributions made to an HSA by an employee (not an employer) may be claimed as a deduction in the current tax year in the expectation of using those funds for medical expenses to be incurred in future years.

Medical expenses in excess of those paid with HSA funds may be included as itemized deductions on the taxpayer's Schedule A. HSA contributions remain in the account and are carried over from year to year until they are used. Any interest earned in the account is tax free. An HSA is portable, so even if the client changes jobs or leaves the workforce, they may keep their HSA.

A return containing an HSA is **Advanced**. HSA topics are included in the Advanced certification course as of tax year 2020.

## Reporting HSA Data in Tax Slayer

HSA clients may require proper tax reporting of two categories of HSA events: contributions and distributions/use.

### **EMPLOYER CONTRIBUTIONS to an HSA – W-2 Box 12 Code W**

1. Enter the W code and amount in the TaxSlayer W-2 screen. Doing so will prompt TaxSlayer to load a Health Savings Account (Form 8889).  
**Note:** This form can also be accessed from **Federal**→**Deductions**→**Adjustments**→**Health Savings Account (Form 8889)**.
2. Do **NOT** enter the employer contributions again on Form 8889. Employer contributions are not deductible by the employee.
3. Select either **Single** or **Family** as the Coverage Type.
4. Enter the number of months during the year the taxpayer was covered by the HSA.

Form belongs to:  
**Taxpayer**

Coverage under high deductible health plan. If you are no longer covered under a plan, please select your previous type of coverage \*

-- Please Select -- ▾

**!** Please select Coverage under high deductible health plan. If you are no longer covered under a plan, please select your previous type of coverage.

**HSA Contributions**

HSA Contributions you made for 2020

\* INCLUDE contributions made from Jan 1 to Apr 15 of this year that were for 2020.  
 \* DO NOT INCLUDE employer contributions, contributions through a cafeteria plan, or amounts that were rolled over into your HSA(s).

\$

Number of months during this tax year that you were an eligible individual

- Please Select - ▾

**EMPLOYEE CONTRIBUTIONS to an HSA – Form 5498-SA or self-report**

An employee may make optional contributions to an HSA from their own funds or funds provided by friends and family. These contributions can be used as an adjustment to income. The HSA custodian may provide the employee with a Form 5498-SA or the employee may self-report the contributions.

1. Enter any employee **HSA Contributions** in Tax Slayer on the Health Savings Account (Form 8889).

**DISTRIBUTIONS AND USE of HSA funds – Form 1099-SA and/or self-report**

An employee may request a distribution (withdrawal) of funds from their HSA. The HSA custodian may provide the employee with a Form 1099-SA, or the employee may self-report the distributions. If the taxpayer has not taken any distributions from the HSA during the tax year, they will not receive a 1099-SA.

Distributed HSA funds can be used to pay for qualified medical expenses, including the deductible portion of expenses paid for in part by an HDHP. Qualified medical expenses are those that generally qualify for a medical expense deduction on Schedule A. Such distributions are generally tax free.

1. Enter any employee HSA distributions in Tax Slayer under **Total distributions** on the Health Savings Account (Form 8889).

**Note:** Usually shown in Box 1 of Form 1099-SA.

2. Enter the amount of distributed funds used for qualified medical expenses under **Distributions used for qualified medical expenses**.

**Note:** If you do not enter an amount here, your entire distribution will be considered taxable.

## HSA Distributions

Total distributions received during 2020 from all HSAs.  
(Usually shown in Box 1 of Form(s) 1099-SA)

\$

Distributions used for qualified medical expenses

\* If you do not enter an amount here your entire distribution will be considered taxable.

\$

Distributions you received in 2020 that you rolled over into another HSA. Also include any excess contributions (and the earnings on those excess contributions) included above that were withdrawn by the due date of your return.

\$

**Note:** HSA adjustments are normally out of scope for VITA