# HSA General FAQ

**Common general questions:**

Q: What is an HSA?

A: An HSA is an individual tax-advantaged account that is similar to a bank account, and it can be used to pay for qualified medical expenses of the account holder, his or her spouse, or tax dependents. Unused HSA funds remain in the account, and an individual may continue to maintain and use it, even after his or her employment terminates. Internal Revenue Code (IRC) Section 223 governs HSAs.

Q: Who can contribute to a HSA?

A: HSA contributions may be made by the HSA account holder or by any other person, including an employer or family member.

Q: How does an individual qualify to establish or contribute to an HSA?

A: To qualify to make or receive contributions to an HSA, an individual must:

- be covered under a high-deductible health plan (HDHP) on the first day of the month.
- have no other health coverage (unless “HSA compatible”).
- not be enrolled in Medicare.
- be unable to be claimed as a dependent on someone else's federal tax return.

Q. What is an HDHP?

A. As the name suggests, HDHPs have higher annual deductibles than typical health plans. The Internal Revenue Service sets specific minimum and maximum limits for HDHP deductibles and out-of-pocket expenses on an annual basis.

Q. What is HSA-compatible coverage?

A. Generally, dental, vision, accident, disability, long-term care, specific disease or illness, or fixed hospitalization insurance, as well as Veterans Affairs hospital services, are compatible with HSAs and thus do not prevent HSA eligibility. In addition, insurance that provides benefits under workers’ compensation laws, tort and property liability is HSA-compatible. Health reimbursement arrangements (HRA) and health flexible spending accounts (Health FSA) that provide limited coverage (such as dental and vision-only) may also be HSA-compatible.

Q. How much can individuals contribute to an HSA?

A. Contribution limits depend on an individual’s health coverage tier and are adjusted annually. For 2025, individuals covered by self-only coverage may contribute up to $4,300 (increasing to $4,400 in 2026), and individuals covered in other than self-only coverage may contribute up to $8,550 (increasing to $8,750 in 2026). Individuals age 55 or older may contribute an additional $1,000. In addition, members may opt to make an increase or decrease payroll deductions for the HSA throughout the year with no qualifying event required for such changes. This change would be handled at the Employer level via payroll processing.

Q. What are the penalties for exceeding the annual HSA contribution limit?

A. Excess contributions are subject to a 6% excise tax.

Q. How can an individual avoid penalties if his or her contribution exceeds the annual HSA maximum contribution limit?

A. An individual can avoid a 6% excise tax if he or she receives a taxable distribution of any excess contributions (plus earnings) before his or her individual federal income tax deadline (plus extensions) for the year of the excess contribution (e.g., by April 15, 2024 [plus extension] for excess 2023 contributions).