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New HSA Guidelines for 2007

Here is some exciting news! There were a number of significant changes that make HSAs better than the previous year. Take a look at some of the highlights below.

1. Maximum contributions are \$2850 for an individual and \$5650 for a family.
2. You can put the full amount in immediately without waiting (This even applies to new hires or a person starting an HSA qualified health plan in the middle of a calendar year). For example, a person opens an HSA account in July 2007. Last year, they would have only been able to put 6/12s of their deductible into the HSA account, now they can fully fund it for the year with no limit.
3. You can now put the FULL amount into your HSA account, regardless of your deductible. Instead of being limited to \$5,000 (your deductible in this example), you can put \$5650 in as a family. NOTE: You need to keep your high deductible health plan for at least 12 months from the date you funded it or else a portion of the contributions will be deemed "excess". If someone gets into this situation, have them call me and I can walk them through resolving this issue. Of course individuals over 55 years old can add an additional \$800/year as a catch-up contribution.
4. A person can choose to accumulate HSA qualified expenses over the course of years (instead of taking the expenses out of the HSA account at the time of service). Every year they need to fill out a Form 8889 and carry the balances forward. At 65 years old, they can then take a distribution equal to the total amount of expenses incurred tax free.
5. An individual can take a one-time distribution from their IRA to fund their HSA account.
6. As always, you have until April 15th (or when you file your taxes) to contribute to your HSA savings account for last year (if you did not max out your account per 2006 rules).

Those are the main points that may apply to your group. My recommendation is to check with your accountant on each of these items.

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