



The Vita Viewpoint Important Information for Decision Makers

Spouse HSA Contribution Clarification

Overview

The Treasury Department and IRS recently announced a ruling confirming that an individual can be eligible to contribute to a Health Savings Account (HSA) even if his/her spouse has non-qualifying family coverage, provided the spouse's coverage does not cover the individual. In addition, the ruling clarifies how much the eligible spouse can contribute to an HSA in such a situation. The spouse with the HSA may contribute the same amount annually to the HSA as any other individual--\$2,000 for individual coverage and \$5,000 for family coverage.

Section 223(b)(5) of the tax code provides special rules for married individuals. In general, if either spouse has family coverage, both spouses are treated as having only such family coverage. If each spouse has family coverage under different health plans, both spouses are treated as having family coverage under the plan with the lowest deductible.

But if a spouse has HDHP family coverage and the other spouse has non-HDHP self-only coverage, the spouse with the HDHP family coverage is considered an eligible individual and, as such, may contribute to an HSA up to the amount of the annual contribution limit.

Example

Steve and Mary Jones are married with three children. Steve has a low deductible family health plan that covers him and the Jones children. His plan does not qualify for an HSA. The ruling clarifies that Mary, who is not covered under Steve's family plan, may have her own separate high-deductible health plan that does qualify for an HSA.

Commentary

This ruling really re-states and clarifies the common sense understanding of how HSA contribution restrictions work. There was some previous confusion because of some unclear wording and this ruling simply clarifies the initial intent.

For questions or additional information, please contact Vita Benefits Group at (650) 968-8811.