

Rules And Conditions Applicable To Qualified HSA Funding Distributions

GENERAL INFORMATION

A qualified HSA funding distribution is a way to move money from your IRA into your HSA and avoid taxation and penalties on the IRA distribution. The Internal Revenue Code (IRC) limits the amount of the HSA funding distribution, the number of HSA funding distributions you may perform, and the eligibility for an HSA funding distribution. By properly completing this form, you are certifying to the Trustee or Custodian that you have satisfied the rules and conditions applicable to a qualified HSA funding distribution.

QUALIFIED HSA FUNDING DISTRIBUTION REQUIREMENTS

1. ELIGIBILITY

To make a qualified HSA funding distribution to your HSA you must be eligible to contribute to an HSA. This means that you must be covered under a high deductible health plan (HDHP), not covered by another health plan that is not an HDHP, not enrolled in Medicare, and not eligible to be claimed as a dependent on another person's tax return.

2. LIMIT ON QUALIFIED HSA FUNDING DISTRIBUTIONS

You are entitled to perform only one qualified HSA funding distribution per your lifetime. An exception to this rule is made for an individual switching HDHP coverage from single coverage to family coverage in the same year as the HSA funding distribution. A second HSA funding distribution may be performed in the same year as the coverage change to increase the contribution up to the family coverage amount for the current year. You are not allowed a second HSA funding distribution for a change from family coverage to single coverage.

3. PERMISSIBLE TYPES OF IRAS

A qualified HSA funding distribution may be made from any IRA other than an ongoing simplified employee pension (SEP) IRAs or savings incentive match plan for employees of small employers (SIMPLE) IRAs. For SEP and SIMPLE IRAs to be considered ongoing, an employer has to make a contribution to the IRA for the plan year ending with or within the tax year in which the qualified HSA funding distribution occurred.

4. MAXIMUM QUALIFIED HSA FUNDING DISTRIBUTION

The maximum qualified HSA funding distribution that may be made from your IRA to your HSA is limited to the applicable federal HSA contribution limit for the current year. The qualified HSA funding distribution is aggregated with all of your HSA contributions for the year when calculating the maximum contribution.

TESTING PERIOD

For the HSA funding distribution to be qualified, you must be HSA-eligible at the time of distribution and remain HSA-eligible (with exceptions for death and disability) by retaining HDHP coverage during a 12-month testing period. The 12-month period begins with the month the qualified HSA funding distribution is contributed and ends on the last day of the twelfth month following that month. If you fail to maintain eligibility during this testing period, you must include the qualified HSA funding distribution in your taxable income, including a 10 percent penalty unless the failure is due to death or disability.

REPORTING INFORMATION

A qualified HSA funding distribution is reported on IRS Form 1099-R as a regular distribution in the year the distribution occurred, and a subsequent contribution to your HSA for the year in which it was received.