

IRS releases 2012 inflation adjustment figures for health savings accounts

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In a Revenue Procedure, IRS has provided the annual inflation-adjusted contribution, deductible, and out-of-pocket expense limits for 2012 for health savings accounts (HSAs).

HSA basics. Eligible individuals may, subject to statutory limits, make deductible contributions to an HSA. Employers as well as other persons (e.g., family members) also may contribute on behalf of an eligible individual. Employer contributions generally are treated as employer-provided coverage for medical expenses under an accident or health plan and are excludable from income.

In general, a person is an “eligible individual” if he is covered under a high deductible health plan (HDHP) and is not covered under any other health plan that is not a high deductible plan, unless the other coverage is permitted insurance (e.g., for worker’s compensation, a specified disease or illness, or providing a fixed payment for hospitalization). General purpose health (flexible spending accounts (FSAs)) and health reimbursement arrangements (HRAs) constitute “other coverage” that will preclude HSA eligibility. However, exceptions apply for, among other things, limited purpose FSAs and HRAs (those providing only certain benefits, e.g., dental and vision) and FSAs and HRAs imposing high annual deductibles.

HSA distributions not used to pay for qualifying medical expenses generally are included in income and subject to a 10% penalty tax.

Change to annual contribution limitation for 2012. For calendar year 2012, the limitation on deductions under Code Sec. 223(b)(2)(A) for an individual with self-only coverage under an HDHP is \$3,100 (up from \$3,050 for 2011). For calendar year 2012, the limitation on deductions under Code Sec. 223(b)(2)(B) for an individual with family coverage under an HDHP is \$6,250 (up from \$6,150 for 2011).

High deductible health plan for 2012. For calendar year 2012, a “high deductible health plan” is defined under Code Sec. 223(c)(2)(A) as a health plan with an annual deductible that is not less than \$1,200 for self-only coverage (no change from 2011) or \$2,400 for family coverage (no change from 2011), and the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) do not exceed \$6,050 for self-only coverage (up from \$5,950 for 2011) or \$12,100 for family coverage (up from \$11,900 for 2011).