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I can *Hammer out* any Problem!

John B. Goldhamer is an *"Authored Tax Law Expert"* with *Education and Experience in all Business Disciplines*, including J.D. Equivalent Legal Education, Finance, Marketing, MBA, Accounting, and Information Systems.
John's *Free* Position Papers are *Educational, Entertaining, and Empowering* that provide definitions, procedures, website links for cross reference, and a Table of Contents for easy review.

HEALTH SAVINGS ACCOUNTS (HSA) REQUIREMENTS AND BENEFITS

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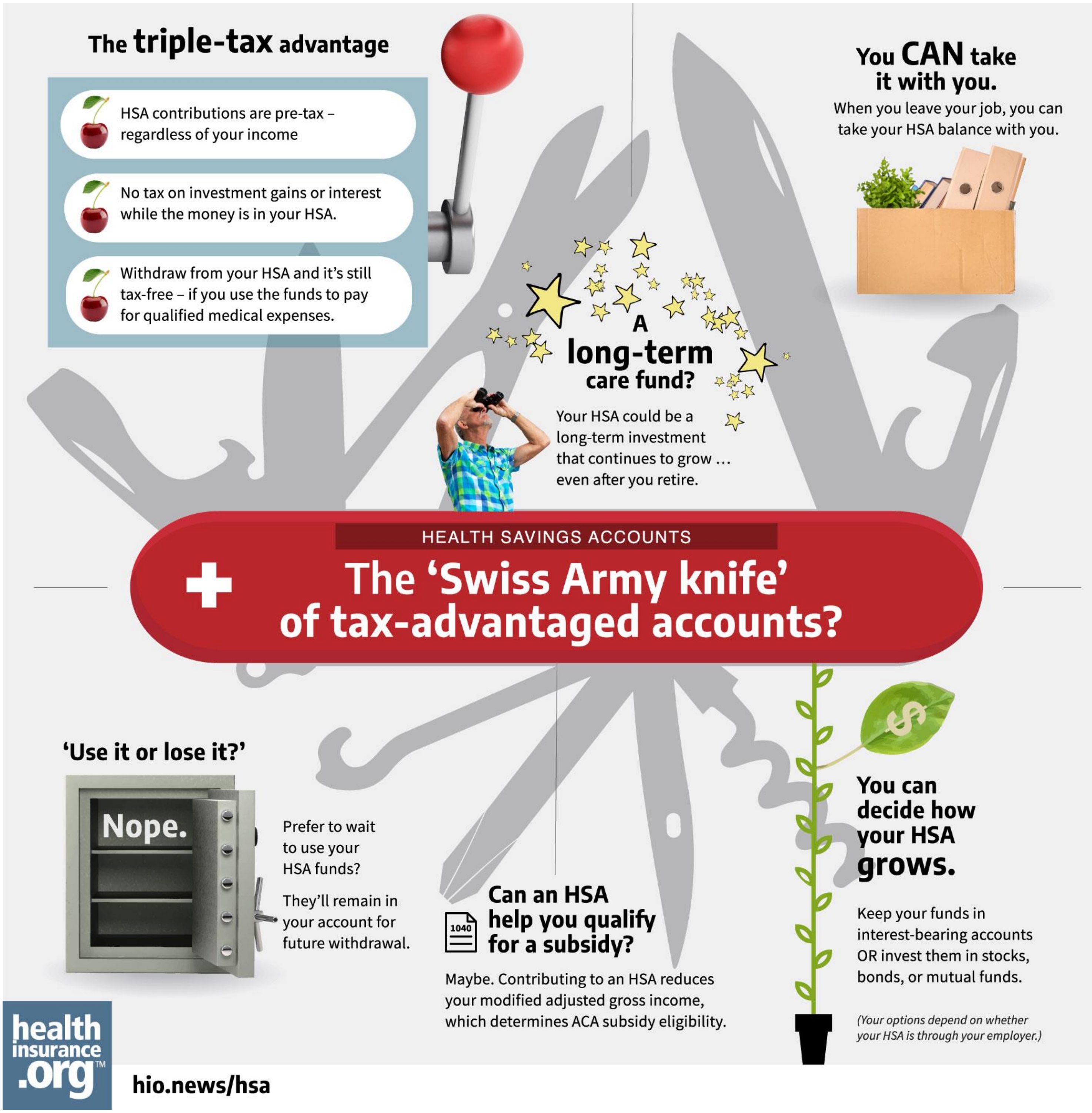
Health Savings Accounts - The Swiss Army Knife of Tax-advantaged Accounts

https://www.healthinsurance.org/assets/2018/07/health-savings-account-advantages-infographic.jpg

10 Advantages of a Health Savings Account



DEFINITIONS

IRS Programs Designed To Give Individuals Tax Advantages To Offset Health Care Costs:
https://www.irs.gov/pub/irs-pdf/p969.pdf

Health Savings Account (HSA) - An HSA may receive contributions from an eligible individual or any other person, including an employer or a family member, on behalf of an eligible individual. Contributions, other than employer contributions, are deductible on the eligible individual's return whether or not the individual itemizes deductions. Employer contributions aren't included in income. Distributions from an HSA that are used to pay qualified medical expenses aren't taxed. *HSA dollars never expire* and will remain in your account until they are used. If you do not use all of your HSA funds in a given year, the unspent money will roll over into your account for next year.

Health Flexible Spending Arrangements (FSA) - A health FSA may receive contributions from an eligible individual. Employers also may contribute. Contributions aren't includible in income. Reimbursements from an FSA that are used to pay qualified medical expenses aren't taxed. *FSA dollars expire at the year, but some plans offer a Grace Period for 2 ½ months until March 15th of the following year to file claims.* Any unused FSA funds will be lost.

Health Reimbursement Arrangements (HRAs) - An HRA must receive contributions from the employer only. Employees may not contribute. Contributions aren't includible in income. Reimbursements from an HRA that are used to pay qualified medical expenses aren't taxed.

Medical Savings Accounts (Archer MSAs and Medicare Advantage MSAs)

An Archer MSA may receive contributions from an eligible individual and his or her employer, but not both in the same year. Contributions by the individual are deductible whether or not the individual itemizes deductions. Employer contributions aren't included in income. Distributions from an Archer MSA that are used to pay qualified medical expenses aren't taxed.

A Medicare Advantage MSA is an Archer MSA designated by Medicare to be used solely to pay the qualified medical expenses of the account holder who is enrolled in Medicare. Contributions can be made only by Medicare. The contributions aren't included in your income. Distributions from a Medicare Advantage MSA that are used to pay qualified medical expenses aren't taxed.

Qualified Medical Expenses - are those expenses that generally would qualify for the medical and dental expenses deduction. These are explained in *Publication 502, Medical and Dental Expenses*. *Non-prescription medicines* aren't *considered qualified medical expenses* for HSA purposes. A medicine or drug will be a qualified medical expense for HSA purposes only if the medicine or drug:

1. Requires a prescription,
2. Is available without a prescription (an over-the-counter medicine or drug) *and you get a prescription for it*, or
3. Is insulin

DEFINITIONS
(Continued)

What Are Medical Expenses - Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and for the purpose of affecting any part or function of the body. These expenses include payments for legal medical services rendered by physicians, surgeons, dentists, and other medical practitioners. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes.

Medical care expenses must be primarily to alleviate or prevent a physical or mental disability or illness. They don't include expenses that are merely beneficial to general health, such as vitamins or a vacation.

Medical expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term care insurance contract. https://www.irs.gov/pub/irs-pdf/p502.pdf

Nonprescription Drugs and Medicines - Except for insulin, you can't include in medical expenses amounts you pay for a drug that isn't prescribed. A prescribed drug is one that requires a prescription by a doctor for its use by an individual. Example: Your doctor recommends that you take aspirin. Because aspirin is a drug that doesn't require a physician's prescription for its use by an individual, you can't include its cost in your medical expenses.

Nutritional Supplements - You can't include in medical expenses the cost of nutritional supplements, vitamins, herbal supplements, “natural medicines,” etc., unless they are recommended by a medical practitioner as treatment for a specific medical condition diagnosed by a physician. These items are taken to maintain your ordinary good health and aren't for medical care.

Cosmetic Surgery - Generally, you can't include in medical expenses the amount you pay for cosmetic surgery. This includes any procedure that is directed at improving the patient's appearance and doesn't meaningfully promote the proper function of the body or prevent or treat illness or disease. You generally can't include in medical expenses the amount you pay for procedures such as face lifts, hair transplants, hair removal (electrolysis), and liposuction.

You can include in medical expenses the amount you pay for cosmetic surgery i*f it is necessary to improve a deformity* arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease.

Personal Use Items - You can't include in medical expenses the cost of an item ordinarily used for personal, living, or family purposes unless it is used primarily to prevent or alleviate a physical or mental disability or illness. For example, the cost of a toothbrush and toothpaste is a nondeductible personal expense. https://www.irs.gov/pub/irs-pdf/p502.pdf

HEALTH SAVINGS ACCOUNTS (HSA) REQUIREMENTS AND BENEFITS

By John B. Goldhamer, www.JohnGoldhamer.com

HealthInsurance.org

Since 1994, a trusted source of information about health insurance it is one of the longest running sources of in-depth information about health insurance for consumers.

https://www.healthinsurance.org/glossary/health-savings-account

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Health Savings Accounts (HSA) - A tax-deductible savings account that is used in conjunction with an *HSA-qualified high-deductible health insurance plan (HDHP)*. It allows users to save money tax-free against medical expenses.

HSA-Qualified High-Deductible Health Insurance Plan (HDHP) - The IRS defines a High Deductible Health Plan as a plan with a deductible of at least $1,350 for individuals or $2,700 for family.

How Health Savings Accounts Work

- An HSA is a tax-deductible savings account used in conjunction with an HSA-qualified high-deductible health plan.
- Contribution limits for 2021 are $3,600 for individuals, $7,200 for a family, and can be made until April 15, 2021. Contribution limits for 2020 are $3,550 for individuals and $7,100 for families.
- You can buy HDHP through a state exchange – or off-exchange.
- Transitional relief for plans that cover male contraception before the deductible
- You withdraw your HSA funds – with no taxes or penalties – to pay for *qualified medical expenses*.
- Review of your HSA should be part of an annual financial check-up.

HSA Regulations - allows you to legally reduce federal income tax by depositing pre-tax money into a health savings account, as long as you are covered by an HSA-qualified HDHP. Just like IRAs, HSA contributions can be made until April 15, or Tax Due Day of the following year.

Contribution and Out-of-Pocket Limits for
Health Savings Accounts (HSA) and High-Deductible Health Plans (HDHP)
https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/irs-2021-hsa-contribution-limits.aspx

For 2021, Taxpayers with self-only HSA or HDHP coverage can contribute up to 3,600 to an HSA, and with family HDHP coverage can contribute up to $7,200 (Family coverage just means that it covers at least one other family member; not covering an entire family).

For 2020, Taxpayers e with self-only HSA or HDHP coverage can contribute up to 3,550 to an HSA, and those with family HDHP coverage can contribute up to $7,100(Family coverage just means that it covers at least one other family member; not covering an entire family).

Account holders who are 55 or older are allowed to deposit an additional $1,000 in catch-up contributions._ (This amount is not adjusted for inflation; it's always $1,000.) HSA contributions can be made throughout the year, or all at once – it's up to the account holder.

There's no minimum deposit, but whatever you put into your account is an "above-the-line" tax deduction that reduces your adjusted gross income. If you make your HSA contributions via your employer – as a payroll deduction – the money will be taken out of your check before taxes, so you'll avoid both income tax and payroll tax on the contributions.

HealthInsurance.org
(Continued)

The Health Plan That Pairs with an HSA

NEW: Give yourself an 11-step financial check-up. REMEMBER: You can make HSA deposits up to the April 15 tax filing deadline or Tax Due Day.

Because the HSA is paired with a high-deductible health plan, your health insurance premiums will often be lower than they would be on a more traditional plan with a lower deductible. But HSA-qualified plans vary considerably in their out-of-pocket exposure; deductibles on HSA-qualified plans in 2019 can be as low as $1,350 for an individual and $2,700 for a family. So you'll find them among Bronze, Silver, and sometimes Gold plans, both on and off the exchange.

Since the maximum out-of-pocket limits on HSA-qualified plans are lower than the maximum allowable out-of-pocket limits on other plans (and the difference is growing with time), there will typically be some non-HSA-qualified plans (with higher out-of-pocket exposure) that have lower premiums than the available HSA-qualified plans. So while an HSA-qualified plan will typically be among the lower-priced plans available, it won't necessarily be the lowest-cost plan available.

Prior to 2016, it was common to see HSA qualified plans that used aggregate family out-of-pocket limits. That meant the entire family out-of-pocket limit would need to be met before the plan's benefits kicked in, even if all the claims were for a single family member.

But starting in 2016, all health plans – including HDHP – must embed individual out-of-pocket maximums, which means that no single family member's out-of-pocket expenses can exceed the individual out-of-pocket limit established by the ACA, even if the family is enrolled in an HDHP with a higher family out-of-pocket limit. (And this becomes more important due to the aforementioned widening gap between the upper out-of-pocket limits allowed for all plans under the ACA, versus the limit allowed for HSA-qualified plans.)

It's important to note that you can only contribute to an HSA if your current health insurance policy is an HSA-qualified high-deductible health plan (HDHP). Not all high deductible plans are HSA-qualified, so check with your employer or your health insurance carrier if you're unsure. Contributions to your HSA can be made by you or by your employer, and they're yours forever – there's no "use it or lose it" provision with HSA, and the money rolls over from one year to the next. HSA funds can be stored in a variety of savings vehicles, including bank accounts and brokerage accounts (i.e., the funds can be invested in the stock market if you prefer that option), and there are numerous HSA custodians from which to choose.

Using Your HSA Funds

You can use the tax-free savings in your HSA to pay for doctor visits, hospital costs, deductibles, co-pays, prescription drugs, or any other *qualified medical expenses*. Once the out-of-pocket maximum on your health insurance plan is met, your health insurance plan will pay for your remaining covered medical expenses, the same as any other health plan.

HealthInsurance.org
(Continued)

If you switch to a health insurance policy that's not HSA-qualified, you'll no longer be able to contribute to your HSA, but you'll still be able to take money out of your HSA at any time in your life to pay for *qualified medical expenses*, with no taxes or penalties assessed. If you don't use the money for medical expenses and still have funds available after age 65, you can withdraw them for non-medical purposes with no penalties, although income tax would be assessed at that point, with the HSA functioning much like a traditional IRA.

Internal Revenue Service

Reporting Contributions on Your Return - Contributions made by your employer aren't included in your income. Contributions to an employee's account by an employer using the amount of an employee's salary reduction through a cafeteria plan are treated as employer contributions. Generally, you can claim contributions you made and contributions made by any other person, other than your employer, on your behalf, as an adjustment to income. https://www.irs.gov/pub/irs-pdf/p969.pdf

Filing IRS Form 8889 -You must file IRS Form 8889 with your Form 1040 or Form 1040NR if you (or your spouse, if married filing jointly) had any activity in your HSA during the year. You must file the form even if only your employer or your spouse's employer made contributions to the HSA.

Generally, a distribution is money you get from your HSA. Your total distributions include amounts *paid with a debit card* and amounts withdrawn from the HSA by other individuals that you have designated. The trustee will report any distribution to you and the IRS on Form 1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA. https://www.irs.gov/pub/irs-pdf/p969.pdf

An HDHP May Provide Preventive Care Benefits Without a Deductible or with a deductible less than the minimum annual deductible. Preventive care includes, but isn't limited to, the following.

1. Periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals.
2. Routine prenatal and well-child care.
3. Child and adult immunizations.
4. Tobacco cessation programs.
5. Obesity weight-loss programs.
6. Screening services. This includes screening services for the following:
    a. Cancer.
    b. Heart and vascular diseases.
    c. Infectious diseases.
    d. Mental health conditions.
    e. Substance abuse.
    f. Metabolic, nutritional, and endocrine conditions.
    g. Musculoskeletal disorders.
    h. Obstetric and gynecological conditions.
    i. Pediatric conditions.
    j. Vision and hearing disorders.

For more information on screening services, Notice 2004-23, 2004-15 I.R.B. 725 available at: www.IRS.gov/irb/2004-15_IRB/ar10.html https://www.irs.gov/pub/irs-pdf/p969.pdf

ISSUES

Questions

For Health Savings Accounts, I know that certain expenses qualify for HSA expenditure. I wasn't aware that Over-the-Counter (OTC) medicines are not qualifying expenses. If these, (or any other erroneous expense were paid for through an HSA, *do they count against taxable income?*

Answers

I understand your questions. According to *IRS Publication 502, Medical and Dental Expenses*, and I*RS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans* over-the-counter medicines or drugs *are not considered qualified medical expenses*, unless they are by *prescription.*

According to IRS Form 8889, Health Savings Accounts- Instructions, Distributions from a Health Savings Account (HSA) not used to pay qualified medical expenses are *includible in gross income* and is subject to an *additional 20% tax unless an exception applies*.

Tax Exceptions

The Internal Revenue Bulletin 2004-33, Answer 37 https://www.irs.gov/irb/2004-33_IRB#NOT-2004-50 Lists 88 questions and answers on Health Savings Accounts:

> Q-37. An account beneficiary receives an HSA distribution as the result of a mistake of fact due to reasonable cause (e.g., the account beneficiary reasonably, but mistakenly, believed that an expense was a qualified medical expense and was reimbursed for that expense from the HSA).
> The account beneficiary then repays the mistaken distribution to the HSA.
>
> Is the mistaken distribution included in gross income under section 223(f)(2) and subject to the 10 percent additional tax under section 223(f)(4) or subject to the excise tax on excess contributions under section 4973(a)(5)?
>
> A-37. ***If there is clear and convincing evidence*** that amounts were distributed from an HSA ***because of a mistake of fact due to reasonable caus*e**, the **account beneficiary may repay the mistaken distribution** ***no later than April 15*** following the first year the account beneficiary knew or should have known the distribution was a mistake.
>
> Under these circumstances, the **distribution is not included in gross income** under section 223(f)(2), **or subject to the 10 percent additional tax** under section 223(f)(4), and the repayment is not subject to the excise tax on excess contributions under section 4973(a)(5). But see Q&A 76 on the trustee's or custodian's obligation to accept a return of mistaken distributions.
>
> Q-76. Must the trustee or custodian allow account beneficiaries to return mistaken distributions to the HSA?
>
> A-76. No, this is optional. If the HSA trust or custodial agreement allows the return of mistaken distributions as described in Q&A 37, the trustee or custodian may rely on the account beneficiary's representation that the distribution was, in fact, a mistake.

SUMMARY

Suggestions

1. Repayment - As a *Registered Nurse (RN)*, *you reasonably believed* that the over-the-counter medicines were qualified medical expenses, and then repay the mistaken distribution no later than April 15, 2019. Then the distribution will not be included in gross income or subject to the 10 percent additional tax (Internal Revenue Bulletin 2004-33, Answer 37)
(Penalty is now 20% up from 10% to help pay for Obamacare)

2. Prescription - If you can ask your doctor for a prescription for the over-the-counter medicines or drug, even if dated after the purchase, it will help if the IRS decides to audit.

3. Return Item - If the over-the-counter medicines or drugs were purchased using a HSA Debit Card and you still have the receipt, simply purchase another over-the-counter medicine using another credit card and then use the HSA Debit Card Receipt to return the item at the store so that the refund is credited to the HSA Debit Card.

Conclusion

Once the mistaken distribution is repaid before April 15, 2019, listing the exception in Internal Revenue Bulletin 2004-33, Answer 37, then the distribution should *not be includible in gross income* and *not subject to an additional 20% tax.*

In conclusion, I hope this position paper answered your questions.

HSA Additional Questions

Listed below are your questions; followed by my answers.

Question 1
What stops the IRS from auditing me again?

Answer 1

Nothing stops the IRS if it chooses to audit! *The only defense is to have good back up documents.*

Question 2
For the expenditures that I reimbursed myself for, that I have the receipts to back up the self-reimbursements (i.e. me paying them out of my own pocket and reimbursing myself the amount through the HSA)?

Answer 2

Expenditures that you reimbursed yourself, even with a receipt, still must be *Qualified Medical Expenses*. If not, then you must pay back the HSA before April 15, 2019. If you charged the HSA for your personal services as a nurse, *no one is allowed to charge themselves for their own labor;* including Doctors, Lawyers, and Indian Chiefs.

HSA Additional Questions

(Continued)

Question 3

So as long as I return the money into the current HSA I have, will I not have a penalty?

Answer 3

Yes, as long as you have paid back the HSA for *ALL the Non- Qualified Medical Expenses*, then there will not be a penalty and it will not be added to your income.

Question 4

Should I include the HSA annual printout or any other documentation or receipts in the return? What kind of HSA documentation, if any, should I include in my return? Could I be audited again?

Answer 4

No, do not include any extra documentation with your IRS 1040 Tax Return. If the IRS wants it, they will write to you though the U.S. Mail.

Question 5

I tabulated my expenditures that were not *Qualified Medical Expenses and* totals $155.87. Per your instructions, I will pay that back into my HSA, and of course, keep documentation of it.

Answer 5

Yes, keep documentation of your payment back to the HSA and printout a copy of my HSA position paper to keep with your 1040 Tax Return. If you are audited in the next three years, you might not be able to find my email or positon paper.

Question 6

My HSA has about $2,200.00 from a previous employer. I found out that my new employer will not allow me to deposit pre-tax dollars into my HSA that is not connected to one of their high deductible health plan. On a side note, their high deductible HSA plan is not very attractive and they do not give much incentive for this kind of a health plan. Would there be any benefit to deposit any *post-tax dollars* into my HSA in the future?

HSA Additional Questions

(Continued)

Answer 6

HSA (Health Savings Account) dollars will never expire and will remain in your account until they are used. If you do not use all of your HSA funds in a given year, the unspent money will roll over into your account for next year. The HSA continues to grow, tax-deferred. Eligible healthcare purchases can be made tax-free when an HSA is used.

To contribute pre-tax dollars to an HSA requires that you are enrolled in an HDHP (High Deductible Health Plan). In order to contribute, you must be enrolled in a qualified HDHP, not covered under a secondary health insurance plan, not enrolled in Medicare, and can't be claimed as a dependent on someone else's tax return. There are no eligibility requirements to spend previously contributed HSA funds. https://www.nbsbenefits.com/hsa-frequently-asked-questions

IRS Form 8889, Health Savings Accounts- *Instructions*, Eligible Individual states:"

> "To be eligible to have contributions made to your HSA, you must be covered under a High Deductible Health Plan (HDHP) and have no other health coverage except permitted coverage. If you are an eligible individual, anyone can contribute to your HSA. However, you cannot be enrolled in Medicare or be another person's dependent." https://www.irs.gov/pub/irs-pdf/i8889.pdf

Question 7

> Could I possibly write off any of these post-tax deposits on next year's income tax return?

Answer 7

Although IRS Form 1040, Schedule 1 - Additional Income and Adjustments to Income, has a Health Savings Account (HSA) Deduction (Line 25); you still must be covered under a high deductible health plan (HDHP).

Federal 1040 Return - *Instructions*- 2018 state:

> Line 25 "You may be able to take this deduction if contributions (other than employer contributions, rollovers, and qualified HSA funding distributions from an IRA) were made to your HSA for 2018. See Form 8889." https://www.irs.gov/pub/irs-pdf/i8889.pdf

IRS Form 8889, Health Savings Accounts, Part 1, states:

> Line 1 "Check the box to indicate your coverage under a high-deductible health plan (HDHP)" https://www.irs.gov/pub/irs-pdf/f8889.pdf

Unfortunately, without being enrolled in a High Deductible Health Plan (HDHP), the IRS will not allow you to make *Pre-Tax, or Post-Tax, or After-Tax Contributions.*

HSA Additional Questions
(Continued)

Question 8

If there isn't any benefit, or is the best thing is just to use the money up for qualified health care expenses?

Answer 8

As mentioned previously, HSA (Health Savings Account) dollars will never expire and will remain in your account until they are used.

You could continue to use your HSA for Qualified Healthcare Expenses forever.

I hope this answers your questions about your Health Savings Account (HSA).

IRS Form 8889, Health Savings Accounts

Form **8889** Department of the Treasury Internal Revenue Service	**Health Savings Accounts (HSAs)** ▶ Attach to Form 1040 or Form 1040NR. ▶ Go to *www.irs.gov/Form8889* for instructions and the latest information.	OMB No. 1545-0074 **2018** Attachment Sequence No. **52**
Name(s) shown on Form 1040 or Form 1040NR		Social security number of HSA beneficiary. If both spouses have HSAs, see instructions ▶

Before you begin: Complete Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, if required.

Part I **HSA Contributions and Deduction.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part I for each spouse.

1	Check the box to indicate your coverage under a high-deductible health plan (HDHP) during 2018 (see instructions) . . . . . ▶ ☐ Self-only ☐ Family		
2	HSA contributions you made for 2018 (or those made on your behalf), including those made from January 1, 2019, through April 15, 2019, that were for 2018. **Do not** include employer contributions, contributions through a cafeteria plan, or rollovers (see instructions)	**2**	
3	If you were under age 55 at the end of 2018, and on the first day of **every** month during 2018, you were, or were considered, an eligible individual with the **same** coverage, enter $3,450 ($6,900 for family coverage). **All others,** see the instructions for the amount to enter	**3**	
4	Enter the amount you and your employer contributed to your Archer MSAs for 2018 from Form 8853, lines 1 and 2. If you or your spouse had family coverage under an HDHP at any time during 2018, also include any amount contributed to your spouse's Archer MSAs	**4**	
5	Subtract line 4 from line 3. If zero or less, enter -0-	**5**	
6	Enter the amount from line 5. But if you and your spouse each have separate HSAs and had family coverage under an HDHP at any time during 2018, see the instructions for the amount to enter	**6**	
7	If you were age 55 or older at the end of 2018, married, and you or your spouse had family coverage under an HDHP at any time during 2018, enter your additional contribution amount (see instructions)	**7**	
8	Add lines 6 and 7	**8**	
9	Employer contributions made to your HSAs for 2018 . . . . **9**		
10	Qualified HSA funding distributions **10**		
11	Add lines 9 and 10	**11**	
12	Subtract line 11 from line 8. If zero or less, enter -0-	**12**	
13	**HSA deduction.** Enter the **smaller** of line 2 or line 12 here and on Schedule 1 (Form 1040), line 25, or Form 1040NR, line 25	**13**	
	Caution: If line 2 is more than line 13, you may have to pay an additional tax (see instructions).		

Part II **HSA Distributions.** If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part II for each spouse.

14a	Total distributions you received in 2018 from all HSAs (see instructions)	**14a**	
b	Distributions included on line 14a that you rolled over to another HSA. Also include any excess contributions (and the earnings on those excess contributions) included on line 14a that were withdrawn by the due date of your return (see instructions)	**14b**	
c	Subtract line 14b from line 14a	**14c**	
15	Qualified medical expenses paid using HSA distributions (see instructions)	**15**	
16	**Taxable HSA distributions.** Subtract line 15 from line 14c. If zero or less, enter -0-. Also, include this amount in the total on Schedule 1 (Form 1040), line 21, or Form 1040NR, line 21. On the dotted line next to line 21, enter "HSA" and the amount	**16**	
17a	If any of the distributions included on line 16 meet any of the **Exceptions to the Additional 20% Tax** (see instructions), check here . . . . . ▶ ☐		
b	**Additional 20% tax** (see instructions). Enter 20% (0.20) of the distributions included on line 16 that are subject to the additional 20% tax. Also include this amount in the total on Schedule 4 (Form 1040), line 62, or Form 1040NR, line 60. Check box c on Schedule 4 (Form 1040), line 62, or box b on Form 1040NR, line 60. Enter "HSA" and the amount on the line next to the box . .	**17b**	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37621P Form **8889** (2018)

Form 8889 (2018) Page **2**

Part III **Income and Additional Tax for Failure To Maintain HDHP Coverage.** See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part III for each spouse.

18	Last-month rule	**18**	
19	Qualified HSA funding distribution	**19**	
20	**Total income.** Add lines 18 and 19. Include this amount on Schedule 1 (Form 1040), line 21, or Form 1040NR, line 21. On the dotted line next to Schedule 1 (Form 1040), line 21, or Form 1040NR, line 21, enter "HSA" and the amount	**20**	
21	**Additional tax.** Multiply line 20 by 10% (0.10). Include this amount in the total on Schedule 4 (Form 1040), line 62, or Form 1040NR, line 60. Check box c on Schedule 4 (Form 1040), line 62, or box b on Form 1040NR, line 60. Enter "HDHP" and the amount on the line next to the box .	**21**	

Form **8889** (2018)