

Tax Benefits of HEALTH SAVINGS ACCOUNTS (HSAs)

1. The HSA reduces federal income taxes “above the line”; a 100 percent write-off against adjusted gross income. This is unlike other medical and insurance costs that may not be deductible at all or may be only partially deductible on “Schedule A” because it first must exceed 7.5% of AGI (few people end-up qualifying due to the high 7.5% threshold!).
 - a. You get a 100 percent tax write-off for both your cost of insurance AND your savings account deposit.
 - b. For higher income households, the HSA “above-the-line” deduction is *a far superior deduction* to the “Schedule A” deduction when computing the Alternate Minimum Tax (AMT).
2. The savings portion of the HSA grows free from taxes, just like a Traditional IRA. Then, if it used to pay medical expenses it is never taxed. After retirement age, the account may still be used to pay medical expenses and Medicare premiums completely free of taxes, or, it may be withdrawn as supplemental retirement income subject to the normal tax rates in effect at that time.
3. Use the Health Savings Account to pay for these expenses with **PRE-TAX DOLLARS**:
 - a. Medical expenses.
 - b. Dental expenses.
 - c. Vision expenses.
 - d. Medicare premiums, deductibles, copays and coinsurance.
 - e. Retiree’s share of employer-provided health care costs.
 - f. Long-Term Care insurance premiums.
 - g. Over-the-counter medicines, such as:
 - i. Aspirin, Tylenol, Advil, etc.
 - ii. Bandages
 - iii. Cold medicines
 - iv. And other household medical expenses (but not vitamins or supplements)
 - h. Alternative Care expenses, such as:
 - i. Professional Massage Therapy
 - ii. Acupuncture and eastern medicine
 - iii. Ayurvedic medicine
 - iv. Herbal medicine
 - v. Chiropractic
 - vi. Homeopathy
 - vii. And others! Refer to IRS Publication 502 for a more thorough listing.