

Payrollnews

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HSAs & Medical Savings Accounts – Gaining Popularity in 2016

The higher health plan deductibles go, the more popular Health Savings Accounts, or HSAs, are becoming. With tax-deductible contributions, tax-free investing and tax-free interest and dividends, getting employees to contribute is easier than ever.

“Today, one out of three workers does not have access to a retirement savings plan,” as stated by the Department of Labor, however, HSAs are established by the individual, and move with employees from job-to-job.

With individuals taking additional medical expenses into their own hands, **DM Payroll Services** is here to help our clients pass along the facts to their employees. Get in-the-know about the benefits of employee savings accounts for medical expenses.

According to Obamacare Facts, *What is a Health Savings Account?* “A HSA is a tax-advantaged medical savings account you can contribute to and draw money from for certain medical expenses tax-free.”

HSAs are individual employee bank accounts. They can be used to pay for qualified and eligible medical expenses, provide tax-free investing, and easy reimbursement.

Employees can use the funds in their HSA for out-of-pocket medical, dental, and vision expenses, as well as reimbursement of non-covered medical services, like chiropractic care and travel costs for medical care – tax-free.

Account holders can save-up and cash-in their eligible receipts when they’re ready. Employees can withdraw funds from the HSA to reimburse their qualified medical expenses, although, withdrawing funds early for non-healthcare purposes comes with a 20% penalty.

HSAs can reduce Adjusted Gross Income (AGI) and lower taxable income, and there’s no use-it or lose-it rule with HSAs – “the funds can be invested, rolled over into a retirement account, or withdrawn without penalties at 65. You can also use the money for long term care.”

The feds require a minimum annual health plan deductible for an employee to establish an HSA. A High Deductible Health Plan (HDHP) is defined as \$1,300 for individuals, and \$2,600 for families.

HSAs are similar to an IRA or a Roth 401k, with 100% tax-deductible contributions. For tax year 2016, HSA annual contribution limits are \$3,350 for

individuals and \$6,750 for families.


Employees with higher-balance accounts have options to invest within the HSA, with tax-free growth. Interest earned and dividends on investments are also tax-free, making HSAs the smart move in 2016.

Find out more about HSAs and other types of medical savings accounts at:

obamacarefacts.com/health-insurance/health-savings-account-hsa/.

At **DM Payroll Services**, we keep our clients in-the-know. We can help you keep your employees aware of the benefits of HSAs and learn why they’re gaining popularity, and process your payroll.

Click on the links below for more information about HSAs and additional savings accounts options available – and be sure to check our full list of services!

Call us today to find out how **DM Payroll Services** can help you succeed in 2016. 

Sources:

<https://obamacarefacts.com/health-insurance/health-savings-account-hsa/>,
<https://blog.dol.gov/2016/01/26/a-more-secure-retirement-for-americas-workers/> and
<https://www.whitehouse.gov/the-press-office/2016/01/26/fact-sheet-building-21st-century-retirement-system>.

HR Pros 'ACA To Do List' for 2016

ACA Reporting Due Dates Extended

Even with the recent ACA Reporting due dates extended, employers are still scrambling to assemble and report the necessary facts and figures for the ACA on the new Information Reporting forms (AIR). Be sure to meet compliance deadlines!

Are you an ALE?

In 2016, Applicable Large Employers (ALEs) must comply and offer coverage to 95% of full-time employees or get ready for assessment of penalties. Check out the ACA Information Center for Applicable Large Employers (ALEs) at

<https://www.irs.gov/Affordable-Care-Act/Employers/ACA-Information-Center-for-Applicable-Large-Employers-ALEs>

Don't Forget about the Cadillac Tax – Looking Ahead

The Cadillac Tax, or the High Cost Employer-Sponsored Health Coverage Excise Tax, is a 40% excise tax on high cost employer-sponsored health coverage on every dollar over \$10,200 for individuals and \$27,500 for family coverage.

Set up to help fund the ACA, and to curb and deter income inequality in healthcare costs, it is paid by the health insurers and sponsors of self-funded group health plans, rather than by the individual.

The Cadillac Tax will affect jobs that offer high end plans and their employers. With a delayed effective date until tax year 2020, companies are reducing benefits (36.9%), like HSAs and FSAs, and adopting wellness and preventative initiatives (28.3%)."

Sources: www.benefitnews.com and www.obamacarefacts.com.



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