2013 HSA LIMITATIONS

Health savings accounts (HSAs) were created as a tax-favored framework to provide health care benefits mainly for small business owners, the self-employed, and employees of small- to medium- sized companies who do not have access to health insurance.

The tax benefits of HSAs are quite favorable and substantial. Eligible individuals can make tax-deductible (as an adjustment to AGI) contributions into HSA accounts. The funds in the account may be invested (somewhat like an IRA), so there is as opportunity for growth. The earnings inside the HSA are free from federal income tax, and funds withdrawn to pay eligible health care costs are tax free.

The recently released 2013 inflation-adjusted deduction for individual self-only coverage under a high-deductible plan is $3,250, while the comparable amount for family coverage is $6,450. This is an increase of 4.8% and 3.2%, respectively, from 2012. For 2013, a *high-deductible health plan* is defined as a health plan with an annual deductible that is not less than $1,250 for self-only coverage and $2,500 for family coverage, and the annual out-of-pocket expenses (including deductibles and copayments, but not premiums) must not exceed $6,250 for self-only coverage or $12,500 for family coverage.