

## HEALTH SAVINGS ACCOUNT DISTRIBUTIONS

Unlimited, tax-free withdrawals from your Health Savings Account (HSA) may be made to pay for qualified, out-of-pocket medical expenses as they occur. It's easy to make withdrawals from your account by using your Johnson Financial Group HSA VISA® Debit Card<sup>1</sup>. There is no limit to the number of withdrawals that can be made. Funds must be available in your HSA account before withdrawals are made. As custodian, Johnson Financial Group will report your annual prior-year distributions by sending you the necessary tax forms in January. As an HSA owner, you must report your activity annually on your federal tax return.<sup>2</sup>

### » *What are Qualified Medical (out-of-pocket) Expenses?*

HSA funds can be used to cover health insurance deductibles, co-payments for medical services and certain prescriptions. HSA funds can also be used to purchase long-term care insurance and to pay health insurance premiums during any period of unemployment<sup>2</sup>. Please be aware there is a 20% IRS penalty if you use your HSA funds for non-qualified medical expenses. Regular income tax may also apply to those non-qualified HSA funds. For more detailed information on what is considered a qualified or non-qualified expense visit [irs.gov](http://irs.gov) for the current version of publication 502.

### » *Important Tax Issues for Distribution Reporting*<sup>3/4</sup>

- A HSA is generally exempt from income taxes however, distributions must be reported annually on your tax return.
- Distributions are permitted from the account at any time. The money is only considered tax-free if it is used for qualified medical purposes.
- Johnson Financial Group will mail the appropriate tax forms to you for tax reporting purposes.
- Balances accumulate tax-free year-after-year.
- A 20% penalty will apply when funds are used for non-qualified medical expenses.

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<sup>1</sup>VISA is a registered trademark of VISA, Inc.

<sup>2</sup> Subject to some limitations.

<sup>3</sup> Consult your tax advisor for details.

<sup>4</sup>This summary is provided for information purposes only, is drawn from public sources, and is believed to be correct at the time of publication. The information is not intended to provide legal or tax advice, or advice for any specific fact, situation or circumstance. Contact the Internal Revenue Service, your legal counsel or tax advisor for specific advice.