



GETTING THE MOST FROM YOUR CIGNA CHOICE FUND HEALTH SAVINGS ACCOUNT (HSA)

Tax time

When you have a health savings account it's important to know the impact it can have on your annual federal and state income taxes.* Understanding the tax benefits, including your HSA's triple-tax advantage, how to file for an HSA deduction and knowing the specific guidelines for your state, will help you get the most from your Cigna Choice Fund® HSA.**

Understanding tax benefits

You may know that the HSA is tax-advantaged, but do you know how to maximize that tax benefit? Here are some important questions to consider that will help you understand how you can benefit, or can increase your tax benefits, with the HSA:

- › Are you receiving contributions from your employer?
- › Are you contributing additional funds to your HSA? Is anyone else contributing?
- › Have you made any rollovers this year from another HSA or IRA?
- › Are you tracking your medical expenses? Are you keeping your receipts?
- › Do you know where to check on your contributions and distributions for the year?
- › Do you have an investment account, and if so, has the account gained or lost value?

Knowing the answers to these questions will help you better understand your tax advantages.

Together, all the way.®

Triple-tax advantage

Your HSA is triple-tax advantaged:

- › **Contributions** – Your contributions can be reduced from your taxable income either by making pretax payroll deductions or contributing post tax and listing the contributions on your federal income tax return. (Use the Form 8889.)
- › **Earnings** – Any interest earned in your HSA cash account and any increase in the value of your mutual fund investments are tax-free, meaning that you do not have to list these as taxable income on your federal income tax return. No action is required to report these earnings.
- › **Paying for medical expenses** – As long as you use the HSA for approved health care expenses,** you do not pay any taxes on the money that you take out of the account. This means that every time you make a purchase, you are actually saving money.



QUICK TIP: Use our [HSA Savings Calculator](#) to estimate your annual tax savings.



Filing for an HSA deduction

The IRS says that you must file Form 8889 if you (or someone on your behalf, including your employer) add to your HSA account. Form 8889 must also be filed if you take funds out of an HSA, even if you don't make a contribution to the HSA that year.

While we cannot provide tax advice, we can provide some information concerning the W-2 you may receive for payroll deductions and how it applies to Form 8889. If you need tax advice, please consult a qualified tax advisor or the IRS.

▶ If you are receiving contributions from your employer via payroll deductions, your payroll deductions for the HSA account will be shown on your W-2 in box 12, marked code "W." Because your payroll deductions were taken pretax, they are considered "employer contributions" and are to be entered on line nine of Form 8889. Since payroll deductions for the HSA were taken pretax, you will not be able to claim a deduction on line 13.

- ▶ If you made after-tax contributions to an HSA (sent a check or withdrew money from your bank account, for example) – your contributions should be eligible for a tax deduction. See the IRS instructions for additional information on above-the-line deductions.
- ▶ If you took funds out of your HSA account, you will receive a 1099-SA reporting the distribution of funds from your HSA. These distributions from your HSA will be entered on line 14a of Form 8889. If you have unreimbursed qualified medical expenses, they may be entered on line 15 of Form 8889. See the IRS instructions for an explanation of what may be included as an unreimbursed approved medical expense.



* HSA contributions and earnings are not subject to federal taxes and not subject to state taxes in most states. A few states do not allow pretax treatment of contributions or earnings. See your professional tax advisor for information about your state.

** All of these strategies should be carefully considered in light of your cash flow, tax and investment options. Investments are subject to market fluctuation, investment risk and possible loss of principal. Cigna always recommends you discuss these strategies with a professional financial planner and tax advisor.

*** See [Cigna.com/expenses](https://www.cigna.com/expenses).

This information is not intended as financial or tax advice and is not an opinion on any specific facts or circumstances. You are urged to consult a professional tax advisor concerning your own situation and any specific questions you may have. The HSA provider and/or trustee/custodian is responsible for all HSA services, transactions and related activities. Cigna and your employer are not responsible for any aspects of the HSA services, administration or operation.

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