

SUMMARY OF RULES AFFECTING THIS FORM

There are many tax rules regulating the movement of money out of an HSA. This form contains a brief summary of these rules. See the HSA Disclosure Statement for a more detailed discussion of these rules.

REASON FOR THE WITHDRAWAL

We are required to report the reason for your withdrawal to the IRS. We rely on the information you provide us on this form in assigning an IRS code to a withdrawal. If you are withdrawing money for more than one reason, then complete a separate form for each withdrawal reason.

Withdrawal of an Excess Contribution

For a withdrawal of an excess contribution and the income attributable to it before the early withdrawal deadline, check box 1. It doesn't matter whether the contribution was made for the current year or for the previous year. Only excess contributions can be withdrawn before the early withdrawal deadline on a tax-free basis.

Direct Transfer

A direct transfer is a transaction in which our credit union sends the money directly to the trustee or custodian of another HSA. For a direct transfer to another HSA, check box 2. For a direct transfer to an HSA for an ex-spouse or the surviving spouse, also complete one of the lines under this box. A direct transfer is not reported to the IRS, and it will not create taxable income.

After the Owner's Death

For any withdrawal (other than a direct transfer) by a beneficiary following the account owner's death, check box 3 and also check one of the lettered boxes under box 3:

- For a withdrawal in the year of death, check box a.
- For a withdrawal by the surviving spouse after the year of death, check box b.
- For a withdrawal by the owner's estate after the year of death, check box c.
- For a withdrawal by any other beneficiary after the year of death, check box d.

Other Withdrawals

For any withdrawal (other than a direct transfer) by the original owner (including a payment made directly to a health care provider):

- Check box 4 if the owner is disabled.
- Check box 5 if the owner is not disabled.

MOVING MONEY TAX FREE

To Another HSA. You can use a direct transfer to move money to a different HSA that you own (check box 2). We will send a check directly to the trustee or custodian of the receiving HSA. A direct transfer is not subject to the once-a-year rule discussed in the next paragraph.

You can also use a rollover to move money to a different HSA you own if during the last 365 days: (1) you have not rolled over a distribution that you received from this HSA into another HSA; and (2) this HSA has not received a rollover contribution from another HSA. We will make the check payable to you. You must contribute the money to the receiving HSA within 60 days after you receive the check. Complete the "Other Withdrawal" section to do this.

Divorce Transfer. You can direct transfer part or all of your HSA to an HSA owned by your former spouse as required by the divorce court or as part of an agreement incident to a divorce. Check box 2 and complete the line under box 2 to do this. If your former spouse does not have an HSA, then your former spouse will have to establish an HSA before the direct transfer can be made.

Surviving Spouse Transfer. If your spouse is entitled to the HSA following your death, then your spouse can direct transfer your HSA to an HSA owned by your spouse. If your spouse does not have an HSA, then your spouse will have to establish an HSA before the direct transfer can be made.

EARLY WITHDRAWAL OF CONTRIBUTIONS

Withdrawal before the Early Withdrawal Deadline. You can withdraw an excess contribution before the early withdrawal deadline described below. You cannot use this rule to withdraw a contribution that the tax laws allowed you to make. You must also withdraw the income attributable to the contribution. You are not required to pay the excess contribution penalty tax if you make such a withdrawal. To use this approach, check box 1 and:

- (a) Compute the income attributable to the contribution using the IRS formula.
- (b) Add the income attributable to the amount of the withdrawn contribution and write the answer to this addition on the "Total Withdrawal Amount" line.
- (c) Write the income attributable to the contribution on the blank line at box 1. The income attributable is subject to income tax in the year you withdraw the contribution, and it may also be subject to the 20% additional tax discussed below.

Early Withdrawal Deadline. The deadline for withdrawing a contribution is normally the deadline for filing your federal tax return for the year for which the contribution was made, including extensions. The deadline for withdrawing a regular contribution made from January 1 through the tax return deadline, which is attributed to the previous year, is the tax return deadline for the year to which the contribution is attributed. If you timely filed your federal income tax return for the year, then your deadline is automatically extended to six months after the deadline for filing your federal tax return for the year (not including other extensions). For calendar year taxpayers, this is October 15 or the next business day if October 15 is on a weekend or federal holiday.

TAX-FREE HSA DISTRIBUTIONS

HSA distributions are tax-free up to the amount of the qualified medical expenses that you pay. Qualified medical expenses are amounts you pay for certain types of medical care for yourself, your spouse, and your dependents, but only to the extent such amounts are not covered by insurance or another health plan.

The costs of the following types of medical care are qualified medical expenses if they are incurred for you, your spouse, or your dependents:

1. The costs incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. This includes prescription and non-prescription drugs used for these purposes (but not non-prescription dietary supplements).
2. Transportation costs primarily for and essential to medical care referred to above.
3. The costs of qualified long-term care services, as defined in Internal Revenue Code (IRC) 7702B(c).
4. Health insurance premiums for coverage provided under federally required insurance continuation (for example, federal COBRA rights following termination of employment).
5. Premiums for qualified long-term care insurance (as defined at IRC 7702B(b)), but only up to the amount that could be deducted if paid from another source under the limits in IRC 213(d)(10).
6. Health insurance premiums while the account owner is receiving unemployment compensation.
7. After you have enrolled in Medicare, premiums for health insurance are generally qualified medical expenses. This includes Medicare Part A and Part B premiums, Medicare HMO premiums, and premiums for employer-sponsored health insurance. But premiums for a Medicare supplemental (Medigap) policy are not qualified medical expenses.

You can use an HSA distribution to pay or reimburse any qualified medical expenses incurred after you establish your first HSA, including expenses incurred in a prior year. HSA distributions are tax-free to the extent that the aggregate HSA distributions since you established your first HSA do not exceed the aggregate qualified medical expenses incurred during the same time period.

You are responsible for determining whether a cost is a qualified medical expense. You must keep records sufficient to show that: (1) the HSA distributions were to pay qualified medical expenses or to reimburse you for qualified medical expenses paid from other sources, (2) the expenses were not paid or reimbursed from another source (such as insurance), and (3) the expenses were not taken by anyone as a tax deduction.

TAXATION OF EXCESS HSA DISTRIBUTIONS

HSA distributions during a year in excess of the amount of the qualified medical expenses are subject to income tax. HSA distributions that are subject to income tax are also generally subject to an additional 20% tax. But the additional 20% tax does not apply if you are disabled or have reached age 65. The 20% tax also does not apply to distributions to your beneficiaries after your death.