WELLS FARGO

HSA contributions and mid-year changes

Your eligibility to make contributions to an HSA can change mid-year for many reasons. Maybe you added or dropped HSA-qualified health plan coverage because you started a new job, enrolled in Medicare, or simply because you work for an employer whose benefits renew mid-year. As a result, you may need to prorate your HSA contribution limit.

Calculating contribution limits

HSA contribution limits are determined on a calendar/tax-year basis.[1] IRS rules state that contribution limits must generally be prorated by the number of months you are eligible to contribute to an HSA. Your eligibility[2] is based on your coverage status on the first day of the month.

To calculate your personal contribution limit:[3]

1. Take the total annual contribution limit based on your coverage type (individual or family).
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

For example, let's say you were eligible to contribute to your HSA for four months this year. Your personal contribution limit would be:

$3,350 ÷ 12 x 4 = **$1,117**

(Based on 2016 individual contribution limits)

Prorated contribution limits for 2016

Number of months	Individual	Family
12 months	$3,350	$6,750
11 months	$3,071	$6,187
10 months	$2,792	$5,624
9 months	$2,513	$5,061
8 months	$2,233	$4,498
7 months	$1,954	$3,935
6 months	$1,675	$3,372
5 months	$1,396	$2,809
4 months	$1,117	$2,246
3 months	$838	$1,683
2 months	$558	$1,120
1 month	$279	$557

Special exception: The last month rule

If you are eligible to contribute to an HSA on the first day of the last month of your tax year (December 1 for most taxpayers), you are considered eligible for the entire year, provided you stay enrolled in an HSA-qualified health plan through December 31 of the following year. For example, you are eligible by 12/01/2015 and stay eligible through 12/31/2016.[4]

Prorating and applying the last month rule when switching coverage type mid-year

You may also be able to apply the last month rule if you change coverage mid-year. **For example**, let's say Erika changed coverage from individual to family on July 1. She can contribute the full-family maximum amount that year, as long as she maintains family coverage from December 1 of that year through December 31 of the following year.

But, what if in July Erika changed from family coverage to individual coverage for the remainder of the year? She can contribute more than the individual maximum contribution but less than the family maximum contribution.

To calculate her contribution limit she would:

1. Take the number of months you'll have individual coverage multiplied by the total annual individual contribution limit divided by 12.
2. Add that amount to the number of months you'll have family coverage multiplied by the total annual family contribution limit divided by 12.

If Erika changed her coverage from family to individual on July 1, she would calculate her contribution amount as follows:

(6 x $279) + (6 x $563) = **$5,052**

(Based on 2016 individual and family contribution limits)

Together we'll go far

Prorating and applying the last month rule to catch-up contributions for age 55 and up

Catch-up contributions are also subject to the proration and last-month rules. In general, and unless the last-month rule applies, an individual must be eligible for 12 months to contribute the total annual catch-up contribution ($1,000).

To calculate the catch-up contribution limit:

1. Take the total available catch-up contribution amount ($1,000).
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

For example, let's say George enrolled in Medicare on July 1 and was no longer eligible to contribute to his HSA. He would calculate his catch-up contribution amount as follows:

$1,000 ÷ 12 x 6 = $500

Contributed too much?

If you've contributed too much to your HSA, you have until the tax deadline (generally April 15) of the following year to request what is called "an excess contribution distribution." In order to request an excess contribution distribution:

1. Access your account by signing on to *Wells Fargo Online*® at **wellsfargo.com.**
2. From the Account Summary screen, select your account.
3. Under **Account Services**, select **HSA tax and account forms** and download the **Distribution Request for Excess Contribution form** (PDF).

You are responsible for calculating and monitoring their contribution limits – Wells Fargo does not calculate or monitor your contribution limit.

We're here to help

Visit wellsfargo.com/hsa.

Call Wells Fargo HSA Customer Service at 1-866-884-7374.

[1] All tax references are at the federal level. State taxes vary. Please contact a tax advisor for more information. This document assumes that the tax year is the calendar year. The rules described in this document may be applied differently if the tax year is not the calendar year (e.g., if it is the fiscal year).

[2] Contact your insurance provider if you have questions on whether your health coverage is HSA-qualified. Other HSA eligibility criteria apply, including that you cannot be enrolled in Medicare, cannot be covered by a health plan that is not an HSA-qualified plan (with limited exceptions), cannot have received VA medical benefits in the past three months, and cannot be eligible to be claimed as a dependent on someone else's tax return.

[3] Your personal contribution limit may be lower than Internal Revenue Code maximums. Individuals are responsible for calculating and monitoring their contribution limits — Wells Fargo does not calculate or monitor your contribution limit.

[4] If you fail to satisfy the last month rule, income and penalty taxes may apply.