

## **LATAH CREDIT UNION – MEDICAL SAVINGS ACCOUNTS**

### **HERE ARE SOME COMMONLY ASKED QUESTIONS ABOUT THE PROGRAM:**

Q: Can a married couple establish an MSA in both names, or must each person have a separate account?

A: Either way is allowed.

Q: Do eligible medical expenses include vision care or glasses?

A: Yes.

Q: May I deduct money from my MSA to pay the expenses of living in a nursing home?

A: Yes, you may withdraw money from your MSA to pay for care in a skilled nursing facility or intermediate care facility. You may also reimburse yourself for premiums paid for long-term care insurance.

Q: Is transportation to and from a medical appointment an eligible expense?

A: Yes. You may base the amount either on your actual cost for gas, oil and parking or the optional standard medical mileage rate as defined by the Internal Revenue Code annually.

Q: If I pay eligible medical expenses from my account, are the expenses still deductible on Schedule A?

A: Yes. Your Schedule A does not have to be reduced by any amount of eligible medical expenses paid from an MSA. If you claim medical expenses on the federal Schedule A, the same amount is included if you itemize for Idaho.

Q: If I withdraw money to pay my child's medical expenses, must that child be my dependent from the withdrawal to remain exempt from tax?

A: Generally, yes. However, you can pay the expenses for a child or grandchild if (1) the child is under 19 years of age or enrolled as a full-time student at an accredited college or university; (2) the child is not self-supporting, married or a member of the armed forces; or (3) the child is mentally or physically unable to be self-sufficient.

Q: If my employer contributes to the medical savings account, must I report that amount as income before I can deduct it?

A: Yes. The amount should be included in your W-2 form as taxable wages.

Q: May I withdraw (tax free) from my MSA the health care premium my employer has deducted from my paycheck?

A: If the amount withheld from your paycheck for payment of health insurance premiums is included in taxable income on your W-2 form, you may withdraw funds from your MSA account to reimburse yourself.

Q: Can hospitals and doctors offer medical savings accounts?

A: No. But the law allows state-regulated hospital and professional service corporations, such as Blue Cross/Blue Shield, to become depositories. The law also permits brokerage firms to offer medical savings accounts.

Q: May I make contributions to my account at any time during the year and for any amount?

A: Yes. However, you can only deduct \$2,000 from your income (\$4,000 if you file a joint return). The contribution must be made before the end of the calendar year.

Q: Can I wait until an expense occurs before depositing money into my account?

A: Yes. However, the money must be in the MSA before you pay the expense. Example: You go to the doctor today and he gives you a bill for \$500. Tomorrow you deposit \$200 into your MSA. At the end of the month you pay your doctor \$500. The middle of next month you deposit \$300 more into your MSA. You may only reimburse yourself \$200 because that was the amount in the account when you paid the bill.

***\*PLEASE CONSULT WITH A TAX ADVISOR FOR QUESTIONS AND INFORMATION REGARDING TAXES AND TO DETERMINE IF YOU WOULD BENEFIT FROM TAX SAVINGS. THE INFORMATION ABOVE IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS TAX ADVICE.***