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Health Savings Accounts (HSAs)

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Health Savings Accounts (HSAs)

A health savings account (HSA) is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses (e.g., deductibles, co-payments, coinsurance, and services not covered by insurance). Although eligibility to contribute to an HSA is associated with enrollment in a high-deductible health plan (HDHP), an HSA is a trust/custodial account and is not health insurance.

HSAs have several tax advantages: individual contributions are tax deductible unless made through a cafeteria plan; employer contributions and individual contributions made through a cafeteria plan are excluded from taxable income and from Social Security, Medicare, and unemployment insurance taxes; account earnings are tax exempt; and withdrawals are not taxed if used for qualified medical expenses.

Individuals may establish and contribute to an HSA for each month that they are covered under an HSA-qualified HDHP, do not have disqualifying coverage, and cannot be claimed as a dependent on another person's tax return. The account is tied to the individual and account holders retain access to their accounts (and can keep using HSA funds) if they change employers, insurers, or subsequently become ineligible to contribute to the HSA.

To be considered an HSA-qualified HDHP, a health plan must meet several tests: it must have a deductible above a certain minimum threshold, it must limit total annual out-of-pocket expenditures for covered benefits to no more than a certain maximum threshold, and it can cover only preventive care services and certain insulin products before the deductible is met. In 2025, HSA-qualified HDHPs must have a minimum deductible of \$1,650 for self-only coverage and \$3,300 for family coverage and an annual limit on out-of-pocket expenditures for covered benefits that does not exceed \$8,300 and \$16,600, respectively. These amounts are adjusted for inflation (rounded to the nearest \$50) annually.

If an individual is eligible to contribute to an HSA any time during a given tax year, the total amount that individual may contribute to his or her HSA is capped. Generally, the maximum amount an individual may contribute to his or her HSA in a tax year is based on the months during the year that he or she was considered HSA eligible; the type of HDHP coverage the individual had during those months (self-only or family); and the individual's age (those aged 55 or older are allowed additional catch-up contributions). For 2025, the maximum annual contribution limit amounts are \$4,300 and \$8,550, respectively. For those aged 55 or older, the maximum annual amount an individual can contribute to his or her HSA is increased by \$1,000. Individuals may have lower contribution limits if they were not HSA eligible for the entire year.

Individuals may make tax-free HSA withdrawals to pay for the qualified medical expenses for the account holder, the account holder's spouse, or the account holder's dependents. Qualified medical expenses include the costs of diagnosis, cure, mitigation, treatment, or prevention of disease and the costs for treatments affecting any part of the body; the amounts paid for transportation to receive medical care; and qualified long-term care services. Health insurance premiums generally are not considered qualifying medical expenses (except in limited circumstances). Withdrawals not used to pay for qualified medical expenses must be included in an individual's gross income when determining federal income taxes and generally are subject to a 20% penalty. Individuals do not need to be enrolled in an HSA-qualified HDHP to make withdrawals from an HSA.

For tax year 2021, the IRS reported that 12.1 million tax returns (7.5%) included HSAs with employer contributions and 2 million tax returns (1.2% of filed tax returns) included HSAs with individual contributions. Employer contributions include both direct employer contributions and employee pre-tax contributions through a cafeteria plan. Individual contributions are those made by or on behalf of an individual, excluding employer involvement. These categories are not mutually exclusive, as a single tax return may report both types of contributions. Furthermore, these data are at the tax return level (not individual) and do not account for individuals who were eligible to contribute to an HSA in 2021 but did not do so.

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Ryan J. Rosso
Analyst in Health Care
Financing

Alice Y. Choi
Research Assistant

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Introduction

An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses (e.g., deductibles, co-payments, coinsurance, and services not covered by insurance). Eligibility to contribute to an HSA is associated with enrollment in a high-deductible health plan (HDHP); however, an HSA is a trust/custodial account and is not health insurance.

HSAs were first authorized in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (P.L. 108-173) and are one type of health-related tax-advantaged account/arrangement that individuals can use to pay for unreimbursed medical expenses.¹

Eligible individuals make, or receive (e.g., from an employer), deposits into a designated HSA account, where the account holders are allowed to invest such funds and subsequently make withdrawals from the account to pay for certain unreimbursed medical expenses. HSAs have several tax advantages: individual contributions are tax deductible unless made through a cafeteria plan; employer contributions and individual contributions made through a cafeteria plan are excluded from taxable income and from Social Security, Medicare, and unemployment insurance taxes; earnings on invested account balances are tax exempt; and withdrawals are not taxed if used for qualified medical expenses.²

This report summarizes the principal rules governing HSAs, covering such matters as eligibility, qualifying health insurance, contributions, withdrawals, and tax advantages. It concludes with a discussion of HSA data limitations and recent trends in HDHP enrollment and HSA utilization.

Eligibility to Establish and Contribute to an HSA

Individuals are eligible to establish and contribute to an HSA if they have coverage under an HSA-qualified HDHP, do not have disqualifying coverage, and cannot be claimed as a dependent on another person's tax return.³

Whether someone qualifies for an HSA is determined as of the first of each month; thus, a person might be eligible to contribute to an HSA in some months of a given tax year but not in others. For example, if someone first enrolled in an HDHP on September 15, his or her HSA eligibility period would begin on October 1 of that year. Individuals may keep their HSAs and withdraw funds if they become ineligible but cannot make contributions until they become eligible once again.

Accounts may be established with banks, insurance companies, or other entities approved by the Internal Revenue Service (IRS) to hold individual retirement accounts (IRAs) or Archer medical savings accounts (Archer MSAs).⁴ HSAs also may be established with additional nonbank

¹ Other categories of health-related tax-advantaged accounts/arrangements include health flexible spending arrangements (FSAs), Archer medical savings accounts (Archer MSAs), and health reimbursement arrangements (HRAs). For more information on these types of tax-advantaged accounts/arrangements, see CRS Report R46782, *A Comparison of Tax-Advantaged Accounts for Health Care Expenses*.

² *Cafeteria plans* are further discussed in "Allowable Contributors".

³ Tax dependency is determined on a yearly basis and might not be known until the end of the year. IRS, Publication 969: Health Savings Accounts and Other Tax-Favored Health Plans, p. 3, January 5, 2024, at <https://www.irs.gov/pub/irs-pdf/p969.pdf>. Hereinafter IRS, Publication 969.

⁴ Archer MSAs are another type of health-related tax-advantaged account that individuals can use to set aside money to pay for unreimbursed medical care. Because Archer MSAs share many similarities to HSAs and existed before HSAs, Archer MSAs can be thought of as an older, more restrictive version of HSAs.

entities if such entities requested and received approval from the IRS.⁵ All eligible individuals have the flexibility to establish an HSA with an institution other than their insurer or may choose not to establish an account.

HSA-Qualified High-Deductible Health Plans

To be HSA qualified, a health plan must meet several tests: it must have a deductible above a certain minimum threshold, it must limit out-of-pocket expenditures for covered benefits to no more than a certain maximum threshold, and it can cover only preventive care services and certain insulin products before the deductible is met.⁶ (See **Table 1** for the minimum deductibles and out-of-pocket limits for 2025.)

In addition, the plan's coverage cannot be limited to a narrow set of services, such as coverage for a particular disease (e.g., cancer-only coverage) or vision-only coverage.⁷ This rule is designed to prevent individuals from establishing and making HSA contributions when the only insurance they have is coverage for a narrow class of benefits.

Minimum Deductible

To be HSA qualified, a health plan's annual deductible for self-only coverage must be at least \$1,650 in 2025.⁸ For family coverage, the minimum deductible is \$3,300 in 2025.⁹ Minimum deductible amounts are adjusted for inflation (rounded to the nearest \$50) annually.¹⁰ Premiums are not included in meeting the deductible.

If a health plan has a deductible requirement for prescription drugs that is different than requirements for other benefits, in order for the plan to be HSA qualified, the prescription drug deductible must also meet the same minimum requirements.¹¹

Out-of-Pocket Limit

To be HSA qualified, a health plan's annual limit on out-of-pocket expenditures for covered benefits for self-only coverage must not exceed \$8,300 in 2025. For family policies, the limit must not exceed \$16,600 in 2025.¹² These amounts are adjusted for inflation (rounded to the nearest \$50) annually.

⁵ IRS, *Internal Revenue Bulletin: 2004-2*, Notice 2004-2, January 12, 2004, at https://www.irs.gov/irb/2004-02_IRB#NOT-2004-2. Hereinafter IRS, *Internal Revenue Bulletin: 2004-2*, Notice 2004-2.

⁶ 26 U.S.C. §223(c)(2) and IRS, *Publication 969*, pp. 2-5. Current plans with plan years that started in 2024 can also provide telehealth services before the deductible is met. Individuals should be able to find out from their insurer whether their high-deductible health plan (HDHP) is HSA qualified. They cannot apply to the IRS or another government agency for a determination.

⁷ 26 U.S.C. §223(c)(2)(B).

⁸ IRS, *Internal Revenue Bulletin: 2024-22*, Revenue Procedure 2024-25, May 28, 2024, at https://www.irs.gov/irb/2024-22_IRB#REV-PROC-2024-25. Hereinafter IRS, *Internal Revenue Bulletin: 2024-22*, Revenue Procedure 2024-25.

⁹ IRS, *Internal Revenue Bulletin: 2024-22*, Revenue Procedure 2024-25.

¹⁰ This and other HSA inflation adjustments are based upon the Chained Consumer Price Index for All Urban Consumers published by the U.S. Department of Labor. 26 U.S.C. §223(g)(1)(B) provides that the measurement period for HSA inflation adjustments is the 12-month period ending on March 31 of the prior year.

¹¹ IRS, *Internal Revenue Bulletin: 2004-15*, Revenue Ruling 2004-38, April 12, 2004, at https://www.irs.gov/irb/2004-15_IRB#RR-2004-38.

¹² IRS, *Internal Revenue Bulletin: 2024-22*, Revenue Procedure 2024-25.

Generally, enrollee cost sharing—deductibles, co-payments, and coinsurance—for in-network coverage provided under the HSA-qualified HDHP is taken into account in determining accumulation toward the out-of-pocket limits. However, these limits should not be interpreted as ceilings on *all* out-of-pocket expenditures for health care. Enrollee payments to providers for services provided out of network that are in addition to any relevant cost sharing (i.e., balance bills) or payments for services that are not covered by the HSA-qualified HDHP do not count toward the out-of-pocket limit. Premiums for the HSA-qualified HDHP and any other insurance also do not count toward the out-of-pocket limit.

Table 1. HSA-Qualified HDHP Deductible and Out-of-Pocket Limit Requirements for 2025

Requirement	Self-Only Plan	Family Plan
Minimum Deductible	\$1,650	\$3,300
Out-of-Pocket Limit	\$8,300	\$16,600

Source: Internal Revenue Service (IRS), *Internal Revenue Bulletin: 2024-22*, Revenue Procedure 2024-25, May 28, 2024, at https://www.irs.gov/irb/2024-22_IRB#REV-PROC-2024-25.

Notes: HSA = health savings account. HDHP = high-deductible health plan. Not all HDHPs are considered HSA-qualified HDHPs. As an example, plans may meet the deductible and out-of-pocket limits but may cover more than preventive care services and telehealth services before the deductible is met. The out-of-pocket limit does not apply to out-of-network payments if the plan uses a network of providers.

Services Allowed to Be Provided Before the Deductible Has Been Met

Generally, HSA-qualified HDHPs are not allowed to provide any benefits before the deductible has been met; however, HSA-qualified HDHPs may have no deductible (or a deductible less than the aforementioned minimum annual deductible requirement) for preventive care benefits and certain insulin products.¹³

Preventive Care Services

IRS guidance provides that *preventive care* includes, but is not limited to, periodic health evaluations, routine prenatal and well-child care, immunizations, tobacco cessation programs, obesity weight-loss programs, various screening services, over-the-counter oral contraceptives (regardless of whether purchased with a prescription), and male condoms.¹⁴ Drugs and medications can be considered preventive care when taken by a person who has developed risk

¹³ In addition, HSA-qualified HDHPs may provide pre-deductible benefits in accordance with federal or state surprise billing laws. 26 U.S.C. §223(c)(2). For more information on federal surprise billing requirements, see CRS Report R46856, *Surprise Billing in Private Health Insurance: Overview of Federal Consumer Protections and Payment for Out-of-Network Services*. Plans with plan years that started in 2024 may also provide pre-deductible benefits for telehealth services. Plans are required to cover certain preventive health services (and items) without cost sharing. For more information on this requirement, see “Coverage of Preventive Health Services Without Cost Sharing,” in CRS Report R45146, *Federal Requirements on Private Health Insurance Plans*.

¹⁴ IRS, *Publication 969*, p. 4, IRS, *Internal Revenue Bulletin: 2024-44*, Notice 2024-75, October 28, 2024, at https://www.irs.gov/irb/2024-44_IRB#NOT-2024-75, and IRS, *Internal Revenue Bulletin: 2004-15*, Notice 2004-23, April 12, 2004, at https://www.irs.gov/irb/2004-15_IRB#NOT-2004-23. Hereinafter IRS, *Internal Revenue Bulletin: 2024-44*, Notice 2024-75, and IRS, *Internal Revenue Bulletin: 2004-15*, Notice 2004-23, respectively.

factors for a disease that has not yet manifested itself or not yet become clinically apparent or to prevent a disease recurrence.¹⁵

Additionally, HSA-qualified HDHPs are required to comply with the federal private health insurance requirement to provide specified preventive care services without imposing cost sharing.¹⁶ Because this requirement provides that health plans, including HSA-qualified HDHPs, cannot impose any cost sharing for the specified preventive services, all such services must be covered by HSA-qualified HDHPs before the plan's deductible is met and such coverage does not disqualify the plan from being considered HSA qualified.¹⁷

In general, preventive care does not include services or benefits intended to treat existing illnesses, injuries, or conditions, although there are exceptions to this rule. One exception allows pre-deductible coverage of treatments that are incidental to a preventive care service if it would have been unreasonable or impracticable to perform another procedure for such treatment.¹⁸

A second exception allows pre-deductible coverage of specified items and services prescribed both to treat an individual diagnosed with corresponding chronic conditions and to prevent the exacerbation of the chronic condition or the development of a secondary condition (see **Table 2**).¹⁹

Table 2. HSA-Qualified HDHP Preventive Care Services for Specified Chronic Conditions

Items and Service	Chronic Condition
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer (including certain continuous glucose monitors)	Diabetes
Hemoglobin A1c testing	Diabetes
International Normalized Ratio (INR) testing	Liver disease and/or bleeding disorders
Low-Density Lipoprotein (LDL) testing	Heart disease

¹⁵ IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50, August 16, 2004, at https://www.irs.gov/irb/2004-33_IRB#NOT-2004-50. Hereinafter IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

¹⁶ 42 U.S.C. §300gg-13. For more information on this requirement, see “Coverage of Preventive Health Services Without Cost Sharing,” in CRS Report R45146, *Federal Requirements on Private Health Insurance Plans*.

¹⁷ IRS, *Internal Revenue Bulletin: 2013-40*, Notice 2013-57, September 30, 2013, at https://www.irs.gov/irb/2013-40_IRB#NOT-2013-57.

¹⁸ IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

¹⁹ IRS, *Internal Revenue Bulletin: 2019-32*, Notice 2019-45, August 5, 2019, at https://www.irs.gov/irb/2019-32_IRB#NOT-2019-45.

Items and Service	Chronic Condition
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

Source: Internal Revenue Service (IRS), *Internal Revenue Bulletin: 2019-32*, Notice 2019-45, August 5, 2019, at https://www.irs.gov/irb/2019-32_IRB#NOT-2019-45; IRS, *Internal Revenue Bulletin: 2024-44*, Notice 2024-75, October 28, 2024, at https://www.irs.gov/irb/2024-44_IRB#NOT-2024-75.

Notes: HSA = health savings account. HDHP = high-deductible health plan. The items and services in this table are treated as preventive care for purposes of HSA-qualified HDHPs if prescribed both to treat an individual diagnosed with corresponding chronic conditions and to prevent the exacerbation of the chronic condition or the development of a secondary condition.

A third, temporary exception was developed by the IRS in response to the COVID-19 pandemic and corresponding recession but has since expired.²⁰ Under this exception, HSA-qualified HDHPs were allowed to provide benefits related to the testing for and treatment of COVID-19 before the deductible was met. Specifically, plans could have provided benefits regarding the following (if incurred on or after January 1, 2020): diagnostic testing for influenza A & B, norovirus, and other coronaviruses, and respiratory syncytial virus, and any items or services required to be covered with zero cost sharing under Section 6001 of the Families First Coronavirus Response Act (P.L. 116-127, as amended by the Coronavirus Aid, Relief, and Economic Security Act [CARES Act], P.L. 116-136).²¹ This exception applied to plans that ended on or before December 31, 2024.²²

Insulin Products

HSA-qualified HDHPs may have no deductible (or a deductible less than the aforementioned minimum annual deductible requirement) for any dosage form of any different type of insulin, or any device used to administer such insulin.²³ Dosage forms include vials, pumps, and inhalers, and insulin types include “rapid-acting, short-acting, intermediate-acting, long-acting, ultra long-acting, and premixed.”²⁴

Telehealth Services

As of the date of this report’s publication, HSA-qualified HDHPs with plan years that begin in 2025 or later are not allowed to provide pre-deductible coverage of telehealth and other remote care benefits.

For HSA-qualified HDHPs with plan years that began in 2024, HSA-qualified HDHPs may have no deductible (or a deductible less than the aforementioned minimum annual deductible requirement) for telehealth and other remote care benefits.²⁵ This allowance also applied with

²⁰ IRS, *Internal Revenue Bulletin: 2020-14*, Notice 2020-15, March 30, 2020, at https://www.irs.gov/irb/2020-14_IRB#NOT-2020-15.

²¹ IRS, *Internal Revenue Bulletin: 2020-22*, Notice 2020-29, May 26, 2020, at https://www.irs.gov/irb/2020-22_IRB#NOT-2020-29. Hereinafter IRS, *Internal Revenue Bulletin: 2020-22*, Notice 2020-29. For an overview of Section 6001 of the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security (CARES) Act, see CRS Report R46316, *Health Care Provisions in the Families First Coronavirus Response Act, P.L. 116-127* and CRS Report R46334, *Selected Health Provisions in Title III of the CARES Act (P.L. 116-136)*, respectively.

²² IRS, *Internal Revenue Bulletin: 2023-30*, Notice 2023-37, July 24, 2023, at https://www.irs.gov/irb/2023-30_IRB#NOT-2023-37.

²³ 26 U.S.C. §223(c)(2)(G) and IRS, *Internal Revenue Bulletin: 2024-44*, Notice 2024-75.

²⁴ Ibid.

²⁵ 26 U.S.C. §223(c)(2)(E).

respect to HSA-qualified HDHP plan years that began before 2022 (for telehealth and other remote care services provided in 2020 or later), from April through December 2022, and for HSA-qualified HDHP plan years that began in 2023.²⁶

This telehealth provision was initially included in the CARES Act and was intended to increase health care access for HSA-qualified HDHP enrollees who may have had COVID-19 while also protecting other patients from potential exposure.²⁷ As such, if an HSA-qualified HDHP plan administrator initially responded to the COVID-19 pandemic by providing telehealth services without a deductible, enrollees of that plan would not have lost their HSA eligibility as a result of that decision.

Disqualifying Coverage

There are a number of ways in which an individual could be disqualified from establishing and contributing to an HSA, even though the individual has coverage under an HSA-qualified HDHP.

Individuals generally must not have any other health plan that is not an HSA-qualified HDHP or that provides coverage for any benefit that is covered under their HSA-qualified HDHP.²⁸ For example, individuals with an HSA-qualified HDHP are not eligible to establish or contribute to an HSA if they also are covered under a spouse's policy for the same benefits and that spouse's policy is not an HSA-qualified HDHP.

Some types of health coverage are not considered disqualifying for purposes of being eligible to establish and contribute to an HSA.²⁹ Coverage for any benefit provided under permitted insurance,³⁰ and coverage (through insurance or otherwise) for accidents, disability, vision care, dental care, or long-term care are not considered disqualifying health coverage. In addition, for plan years that began in 2024, telehealth and other remote care are not considered disqualifying health coverage.³¹

²⁶ IRS, *Internal Revenue Bulletin: 2020-22*, Notice 2020-29; 26 U.S.C. §223(c)(2)(E).

²⁷ U.S. Congress, Senate Committee on Finance, *Coronavirus Aid, Relief, and Economic Security Act Subtitle D—Finance Committee Section-by-Section*, committee print, 116th Cong., at [https://www.finance.senate.gov/imo/media/doc/CARES%20Act%20Section-by-Section%20\(Finance%20Health\).pdf](https://www.finance.senate.gov/imo/media/doc/CARES%20Act%20Section-by-Section%20(Finance%20Health).pdf).

²⁸ In this context, the term *health plan* is not limited to traditional health insurance-types of arrangements. For example, health flexible spending arrangements (FSAs) and health reimbursement arrangements (HRAs) would constitute a *health plan*. In addition, and as mentioned in a recent notice of proposed rulemaking, direct primary care arrangements that provide for a variety of primary care services (e.g., physical examinations, urgent care, laboratory testing, and treatment and diagnosis of sicknesses or injuries) would also constitute a health plan. 26 U.S.C. §223(c)(1)(A)(ii). IRS, *Internal Revenue Bulletin: 2004-22*, Revised Rule 2004-45, June 1, 2004, at https://www.irs.gov/irb/2004-22_IRB#RR-2004-45. Hereinafter IRS, *Internal Revenue Bulletin: 2004-22*, Revised Rule 2004-45. IRS, “Certain Medical Care Arrangements,” 85 *Federal Register* 35398, June 10, 2020.

²⁹ Conversely, although individuals are allowed to have these additional types of coverage (in conjunction with an HSA-qualified HDHP) and remain HSA eligible, a plan in which all of the coverage is through permitted insurance and/or coverage for accidents, disability, vision care, dental care or long-term care would not be considered an HSA-qualified HDHP and an individual would not be eligible for an HSA with only these types of insurance. IRS, *Publication 969*, p. 4-5.

³⁰ *Permitted insurance* is defined at 26 U.S.C. §223(c)(3) as insurance under which substantially all coverage relates to liabilities incurred under workers' compensation laws, tort liabilities, or liabilities related to ownership or use of property (such as automobile insurance); insurance for a specified disease or illness; or insurance that pays a fixed amount per day or other period of hospitalization.

³¹ Telehealth and other remote care also were not considered disqualifying health coverage for plan years that began on or before 2022 (for telehealth and other remote care services provided on or after January 1, 2020), from April 1, 2022 through December 31, 2022, and for plan years that began in 2023. 26 U.S.C. §223(c)(1)(B)(ii). IRS, *Internal Revenue Bulletin: 2020-22*, Notice 2020-29.

Individuals are not allowed to establish or contribute to an HSA if they are enrolled in Medicare, which generally first occurs at the age of 65.³²

HSA-eligible individuals generally may not have employer-established flexible spending accounts (FSAs) or health reimbursement accounts (HRAs), which are two other types of health-related tax-advantaged accounts. However, FSAs and HRAs can be offered in HSA-compatible ways that would not preclude HSA eligibility. For example, FSAs and HRAs that can be used only for limited purposes (such as dental services or preventive care) or that can provide reimbursement for services only after the HDHP deductible has been met are considered HSA-compatible.³³

Additional Guidelines

HSA-qualified HDHP enrollees who do not have disqualifying coverage still are considered HSA eligible if they have access to and coverage under an employee assistance program, disease management program, or wellness program, provided the program does not provide “significant benefits in the nature of medical care or treatment.”³⁴ HSA-qualified HDHP enrollees who receive treatment under the Veterans Health Administration, within the Department of Veterans Affairs, for service-connected disabilities also are still HSA eligible.³⁵

HSA Contributions

Contribution Limits

If an individual is eligible to contribute to an HSA any time during a given tax year, the total amount that individual may contribute to his or her HSA is capped. Generally, the maximum amount an individual may contribute to his or her HSA in a tax year is based on the type of HDHP coverage the individual had during those months (self-only or family), the individual’s age, and the months during the year that he or she was considered HSA eligible. Contributions to HSAs may be made at any time during a calendar year and until the federal income tax return filing date (without extensions), normally April 15 of the following year.³⁶ Thus, contributions could occur over a 15½-month time span (e.g., from January 1, 2020, through April 15, 2021), provided they do not exceed the allowable annual limit.

In 2025, the maximum annual contribution limit is \$4,300 for self-only coverage and \$8,550 for family coverage.³⁷ The applicable annual limits apply to total contributions to the HSA from all sources (i.e., from individuals and employers). These amounts are adjusted for inflation (rounded to the nearest \$50) annually.

³² Although the law states that eligible individuals are no longer able to establish and contribute to HSAs after becoming “entitled to benefits” under Medicare, the IRS interprets the phrase “entitled to benefits” as meaning “eligibility and enrollment” in either Medicare Part A or Medicare Part B. 26 U.S.C. §223(b)(7) and IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50. For more information on the relationship between HSAs and Medicare, including HSA eligibility for spouses of Medicare enrollees, see CRS In Focus IF11425, *Health Savings Accounts (HSAs) and Medicare*.

³³ IRS, *Internal Revenue Bulletin: 2004-22*, Revised Rule 2004-45.

³⁴ Screening and other preventive care services are not considered “significant benefits in the nature of medical care or treatment.” IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

³⁵ 26 U.S.C. §223(c)(1)(C). *Service-connected disability* within the meaning of 38 U.S.C. §101(16).

³⁶ IRS, *Internal Revenue Bulletin: 2004-2*, Notice 2004-2.

³⁷ IRS, *Internal Revenue Bulletin: 2024-22*, Revenue Procedure 2024-25.

In addition, account holders who are at least 55 years of age may contribute an additional catch-up contribution of \$1,000 each year, which is not annually indexed for inflation.

The annual limits are calculated on a monthly basis: for each month during the year when individuals are eligible, they may contribute (or others may contribute on their behalf) up to one-twelfth of the applicable annual limit. For example, an individual who is eligible from January through July could contribute seven-twelfths of the annual limit for that year.

As an exception to this rule, individuals who are eligible during the last month of the year are treated as if they had been eligible for that entire year and thus are allowed to contribute up to the annual limit so long as the contribution is before the tax filing date of the following year.³⁸

Individuals who make contributions under this exception must maintain their HSA eligibility for the entire following year, the *testing period*, except in cases of disability or death.³⁹ Otherwise, the additional contributions allowed under the exception are included in gross income when determining federal income taxes for the year in which an individual fails to be HSA eligible and, as shown in **Table 3**, are subject to a 10% penalty tax.

HSA Contribution Rules for Married Couples

Spouses are prevented from having joint HSA accounts (even if the spouses are covered by the same HSA-qualified HDHP). Only one spouse can be listed as the account holder for a given HSA, even though that spouse's HSA may be used to reimburse the medical expenses of either spouse. Nothing prevents each spouse from establishing his or her own HSA, assuming each is eligible.

If both spouses are HSA eligible and at least one spouse is covered by a family coverage HSA-qualified HDHP, then the maximum amount the couple can collectively contribute to its HSA(s) is associated with the family coverage annual limit for that year (\$8,550 in 2025). The collective maximum amount is to be split evenly between the spouses' HSAs, unless both agree on a different division.⁴⁰ If both spouses are aged 55 or older and eligible to make catch-up contributions, each spouse must make such a contribution to his or her own account; one spouse cannot make catch-up contributions to his or her own HSA on behalf of the other spouse.⁴¹

Where applicable, HSA limits must be reduced by the amount of any direct contributions individuals make to their Archer MSAs during the same year or for any direct contributions to an HSA from traditional or Roth IRAs, the latter of which is discussed later in this section.

Any excess contributions to an HSA are not tax deductible and, if made by an employer, are treated as gross income for the tax year in which the contributions were earned. Excess contributions generally are subject to a 6% penalty tax (see **Table 3**), unless the excess amounts are withdrawn prior to the tax filing date of the year the excess contributions were made.⁴² If not withdrawn, this penalty tax would apply to each tax year the excess contributions remain in the account.

³⁸ 26 U.S.C. §223(b)(8).

³⁹ 26 U.S.C. §223(b)(8)(iii).

⁴⁰ 26 U.S.C. §223(b)(5).

⁴¹ IRS, *Internal Revenue Bulletin: 2008-29*, Notice 2008-59, July 21, 2008, at https://www.irs.gov/irb/2008-29_IRB#NOT-2008-59.

⁴² 26 U.S.C. §4973(a) and (g). As an example, if individual who is HSA eligible from January through July contributes more than seven-twelfths of the annual limit for that year, then that individual has until that year's tax filing date to withdraw the excess contributions. If the funds are not withdrawn, the excess contributions would be subject to a 6% penalty tax. IRS, *Publication 969*, pp. 8.

Allowable Contributors

Eligible individuals may make direct contributions to their HSAs, and employers, family members, and other individuals may make contributions to an individual's HSA on the individual's behalf.⁴³ Contributions by one individual or entity do not preclude contributions by others, provided the total amount of contributions does not exceed annual contribution limits.⁴⁴

Employed individuals may make HSA contributions through *cafeteria plans*—that is, benefit arrangements established by employers under which employees accept lower take-home pay in exchange for the difference being deposited in their HSA account.⁴⁵ Because these types of individual contributions are excluded from gross income, they are not tax deductible. The IRS has determined that salary reduction agreements must allow employees to stop, increase, or decrease their HSA contributions throughout the year as long as the changes are effective prospectively; however, employers may place restrictions on HSA contribution elections under this type of arrangement if the restrictions apply to all employees.⁴⁶ The IRS also has determined that under these agreements, employers are allowed to make an employee's annual expected HSA contribution available to the employee so that the employee may cover medical expenses that exceed his or her current HSA balances, provided the employee repays the accelerated contributions before the end of the year.⁴⁷

HSA contributors cannot restrict how HSA funds are used. For example, employers may not limit HSAs to certain medical expenses (or medical expenses only), even for funds they contribute.⁴⁸ Therefore, account owners may make withdrawals from their HSA for any purpose, though nonqualified withdrawals are subject to taxation, as discussed in the section “Nonqualified Expenses.”

Eligible individuals may use other tax-advantaged accounts to increase the amount of resources available in their HSAs. Specifically, individuals may make one rollover contribution to an HSA from an Archer MSA or another HSA during a one-year period.⁴⁹ Individuals also may make a once-in-a-lifetime distribution from their traditional or Roth IRA and deposit it into an HSA, which is factored into the annual contribution limits described in the “Contribution Limits”

⁴³ An employer's contributions to employees' HSAs are subject to 26 U.S.C. §4980G, which requires the employer to provide comparable HSA contributions to all comparable participating employees, unless the employer makes the HSA contributions through a cafeteria plan. If an employer contributes to employees' HSAs under a cafeteria plan, then the contributions are subject to the cafeteria plan nondiscrimination rules. For more details, see IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50 and 26 U.S.C. §223(b)(4).

⁴⁴ 26 U.S.C. §223(b)(4).

⁴⁵ In general, a cafeteria plan is a pretax salary reduction agreement that employers can offer their employees. Under a cafeteria plan, an employer allows employees to choose to forego a portion of their salary to instead receive a qualified benefit. The amount that goes toward the qualified benefit is then excluded from federal income and payroll taxes. Cafeteria plans must always offer employees a choice between at least one taxable benefit (e.g., cash) and at least one qualified (nontaxable) benefit but may also include additional benefit choices. HSAs can be considered a qualified benefit under a cafeteria plan. HSA contributions made in this manner are treated as employer contributions and are excluded from the employee's income for federal tax purposes (and are not tax deductible by the employee). 26 U.S.C. §125.

⁴⁶ IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

⁴⁷ IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

⁴⁸ IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

⁴⁹ There is no limit on the number of HSA rollovers if they are sent directly from one trustee to another. Additionally, individuals do not need to be HSA eligible to roll over funds from an existing HSA to a new HSA. IRS, *Publication 969*, p. 7.

section.⁵⁰ These types of HSA contributions are subject to different tax rules than individual HSA contributions, as discussed in the “Tax Advantages of HSAs” section.

Eligibility to Withdraw HSA Funds

An account holder may withdraw HSA funds at any time, regardless of the account holder’s eligibility to contribute to the HSA. Generally, withdrawals must be used for qualified medical expenses for the account holder, the account holder’s spouse, or the account holder’s dependents.⁵¹ Any withdrawals for nonqualified expenses must be included in the account holder’s gross income when determining federal income taxes and are generally subject to an additional 20% penalty (see **Table 3**).⁵²

Neither the account holder nor the account holder’s spouse or dependents need to be covered under the same or separate HSA-qualified HDHPs for the account holder to withdraw funds. Likewise, having disqualifying coverage would not prohibit an account holder from withdrawing HSA funds. For example, an account holder who enrolls in Medicare Parts A and B becomes ineligible to establish or contribute to an HSA, but the account holder may continue to withdraw funds from a previously established HSA.

HSA Withdrawals

Qualified Medical Expenses

As noted above, HSA withdrawals are exempt from federal income taxes if used to cover *qualified medical expenses* for the account holder, the account holder’s spouse, or the account holder’s dependents. For HSA purposes, *qualified medical expenses* are considered most medical care described in 26 U.S.C. §213(d) and further explained in IRS *Publication 502, Medical and Dental Expenses*.⁵³ More specifically, qualified medical expenses are defined as including the following: the costs of diagnosis, cure, mitigation, treatment, or prevention of disease and the costs for treatments affecting any part of the body; the amounts paid for transportation to receive medical care; and qualified long-term care services.⁵⁴ HSA qualified medical expenses also include menstrual care products and over-the-counter medications and drugs (without a prescription).⁵⁵

⁵⁰ 26 U.S.C. §408(d)(9). IRS, *Publication 969*, p. 7.

⁵¹ In this context, the term *dependent* includes all dependents that the account holder claims on his or her tax return and any person the account holder could have claimed as a dependent on his or her tax return except that (a) the person filed a joint return, (b) the person had gross income of \$4,400 or more (for tax year 2022), or (c) the account holder could have been claimed as a dependent on someone else’s return. IRS, *Publication 969*, p. 9. Gross income amount for 2022 was published in IRS, *Internal Revenue Bulletin: 2021-48*, Revenue Procedure 2021-45, at

⁵² Nonmedical HSA distributions for those aged 65 and older are treated as ordinary income and are not subject to a penalty.

⁵³ Qualified medical expenses that were paid for with an HSA withdrawal cannot be used for a medical and dental expenses deduction. IRS, *Publication 502 (2023), Medical and Dental Expenses*, December 21, 2023, at <https://www.irs.gov/pub/irs-pdf/p502.pdf>. Hereinafter IRS, *Publication 502*.

⁵⁴ A nonexclusive list of qualified medical expenses can be found in IRS, *Publication 502*. Also see 26 U.S.C. §213(d).

⁵⁵ 26 U.S.C. §223(d)(2)(A), as amended by Section 3702 of the CARES Act (P.L. 116-136). Prior to the CARES Act, over-the-counter medicines and drugs (other than insulin) were not considered an HSA qualified medical expense unless an individual received a corresponding prescription for each over-the-counter expense.

Of the medical expenses mentioned in 26 U.S.C. §213(d), health insurance premiums generally are not considered qualified medical expenses for HSA purposes. However, there are four exceptions to this rule, which are: (1) long-term care insurance, (2) health insurance premiums during periods of continuation coverage required by federal law (i.e., Consolidated Omnibus Budget Reconciliation Act coverage, or COBRA), (3) health insurance premiums during periods in which the individual is receiving unemployment compensation, and (4) for individuals aged 65 years and older, any health insurance premiums (including Medicare Part B premiums) other than a Medicare supplemental policy.⁵⁶

There is no time limit on when HSA withdrawals need to be made to pay for (or reimburse payments for) qualified medical expenses, provided adequate records are kept.⁵⁷ However, HSAs may not be used to pay expenses incurred before the HSA was established. For example, an account holder may pay 2022 qualified medical expenses today using funds from an HSA established in 2021 but may not use the account to pay for qualified medical expenses incurred in 2020, since this was before the account was established.

Nonqualified Expenses

Withdrawals not used to pay for qualified medical expenses must be included in the account holder's gross income when determining federal income taxes and generally are subject to a 20% penalty, as shown in **Table 3**. The penalty is waived in cases of disability or death and for individuals aged 65 and older; however, withdrawals for nonqualified expenses still may be treated as gross income.⁵⁸ There is no requirement, as there is for qualified retirement plans, that individuals begin to spend down account balances at a certain age.

Table 3. HSA Penalty Taxes

Penalty Tax	Tax Percentage	Tax Base	Authorizing Law
Withdrawal of Funds for Nonqualified Medical Expenses ^a	20%	Amount of Withdrawal	26 U.S.C. §223(f)(4)
Failure to Maintain HSA Eligibility During Testing Period ^b	10%	Contributions into HSA for Months Not Covered by HSA-Qualified HDHP	26 U.S.C. §223(b)(8)
Excess Contributions Above HSA Annual Limit	6%	Additional Contribution Amount	26 U.S.C. §4973(a) and (g)

Source: Congressional Research Service analysis of tax code.

Notes: HSA = health savings account.

- a. The penalty is waived in cases of disability or death and for individuals aged 65 and older.
- b. Individuals who are eligible during the last month of the year are treated as if they had been eligible for the entire year and thus are allowed to contribute up to the annual limit. Individuals who make additional contributions under this rule must maintain their HSA eligibility for the following year, the *testing period*, except in cases of disability or death.

⁵⁶ 26 U.S.C. §223(d)(2)(C). IRS, *Publication 969*, p. 9.

⁵⁷ IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

⁵⁸ 26 U.S.C. §223(f)(4). If the account holder dies and the account holder's spouse inherits the HSA, the spouse becomes the account holder. If someone other than the deceased account holder's spouse inherits the account, the account ceases to be an HSA and must be included as gross income by the inheritor. 26 U.S.C. §223(f)(8)(A).

Tax Advantages of HSAs

HSAs often are referred to as having a *triple tax advantage*: (1) contributions reduce taxable income, (2) earnings on the account grow tax free, and (3) withdrawals for qualified medical expenses are not subject to taxation.

Qualified individuals who contribute to their HSAs (outside of a cafeteria plan) may claim a deduction on their federal income tax return and thus reduce their tax burden, as shown in **Table 4**.⁵⁹ The deduction is *above the line*; that is, it is made in determining adjusted gross income and may be taken by taxpayers regardless of whether they claim the standard deduction or the itemized deduction.

Table 4. Tax Advantages of Various Types of HSA Contributions

HSA Contribution Type	Can Be Used to Claim Federal HSA Tax Deduction	Counts as Federal Taxable Income	Counts Toward Annual HSA Contribution Limit
Individual Contribution ^a	Yes	No	Yes
Employer Contribution ^b	No	No	Yes
Traditional or Roth IRA Distribution to HSA ^c	No	No	Yes
Archer MSA and Other HSA Rollover	No	No	No
Investment Earnings	Not applicable	No	No

Source: IRS, *Publication 969: Health Savings Accounts and Other Tax-Favored Health Plans*, January 5, 2024, at <https://www.irs.gov/pub/irs-pdf/p969.pdf>.

Notes: HSA = health savings account. Excess HSA contributions count toward gross income, cannot be used to claim the HSA tax deduction, and are subject to a 6% penalty tax.

- Includes account holder contributions and other contributions made by individuals on behalf of the account holder (not including employer contributions).
- Includes employee contributions made through a cafeteria plan.
- A once-in-a-lifetime traditional or Roth individual retirement account (IRA) distribution to an HSA would not be subject to early IRA withdrawal penalties.

Individuals may claim the tax deduction for all amounts contributed to their HSAs that were made either by the individual or on behalf of the individual (not including employer amounts or contributions made through a cafeteria plan) over the course of the year through the subsequent tax filing deadline. For individuals claiming the deduction, the total tax effect of the eligible HSA contributions depends on an individual's marginal tax rate and the amount of nonemployer contributions to the individual's HSA.

No deduction may be claimed for a once-in-a-lifetime contribution from an IRA (though the IRA distribution is not penalized, as it otherwise might be) or for Archer MSA or other HSA rollovers.⁶⁰ These amounts do not count as gross income in determining income tax liability.⁶¹

⁵⁹ Individuals who may be claimed as a dependent are not eligible to establish an HSA; therefore, they are not eligible for this deduction.

⁶⁰ 26 U.S.C. §223(d)(4)(A).

⁶¹ IRS, *Publication 969*, p. 7.

An employer's contributions to an HSA cannot be deducted by employees as HSA contributions or as medical expense deductions; however, they are excluded from employees' gross income in determining their income tax liability.⁶² In addition, the employer's contributions are excluded from Social Security and Medicare taxes for both employers and employees and are excluded from federal unemployment insurance taxes.⁶³ If an employee contributes to his or her HSA through a cafeteria plan, the contributions are considered to be made by the employer and are excluded from the employee's gross income in determining his or her income tax liability and are exempt from the three employment taxes (Social Security, Medicare, and unemployment insurance taxes). An employee cannot deduct amounts contributed to an HSA through a cafeteria plan.

HSA balances can be invested similar to IRAs (e.g., annuities, stocks, mutual funds, bonds), and any associated earnings can accumulate tax free.⁶⁴

State income taxes generally follow federal rules with respect to HSA deductions and exclusions. However, some states may choose to provide different treatment. For example, California does not recognize HSAs as tax-advantaged accounts for state income tax purposes.⁶⁵ Therefore, a California taxpayer who contributed to an HSA is required to increase his or her California adjusted gross income by an amount equal to the sum of the taxpayer's HSA deduction on his or her federal return, the earnings on the HSA, and the contributions made by the taxpayer's employer. This increase results in a larger state tax burden (or a smaller state tax refund) for the taxpayer.

HDHP Enrollment and HSA Utilization

Data Challenges

While it would be beneficial to study HSA statistics among the population that is eligible to establish and contribute to an HSA (i.e., those that are enrolled in an HSA-qualified HDHP and do not have any disqualifying coverage), there is limited information available on this population.

The lack of available data stems in part from the fact that HSAs and HSA-qualified HDHPs are two separate products and often can be administered by two separate institutions. For example, some individuals have their HSA established with their insurer, whereas others have their HSA administered by another type of institution, such as a bank. In the latter case, the insurer would have insights into individuals' potential eligibility to contribute to HSAs but would not have any information regarding the individuals' HSA activity (i.e., contributions, investments, or

⁶² The Federal Employees Health Benefits (FEHB) Program provides health insurance to federal employees, retirees, and their dependents. FEHB insurance carriers offer HSA-qualified HDHPs and these plans contribute money to enrollee's HSAs. These plan contributions are considered employer contributions (i.e., contributions by the government) and are excluded from the employee's gross income. Office of Personnel Management, *New Health Savings Plan Worksheet*, <https://www.opm.gov/healthcare-insurance/healthcare/health-savings-accounts/worksheet/>. IRS, *Internal Revenue Bulletin: 2004-2*, Notice 2004-2.

⁶³ If an individual is self-employed, the HSA deduction does not affect self-employment net earnings; as a consequence, HSA contributions are not exempt from Social Security and Medicare (Self-Employment Contribution Act or SECA) taxes. IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50.

⁶⁴ IRS, *Internal Revenue Bulletin: 2004-33*, Notice 2004-50, and IRS, *Publication 969*, p. 3.

⁶⁵ California Assembly, *SB-230 (Seyarto): Income Tax: Health Savings Accounts*, at https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB230 and State of California Franchise Tax Board, *Bill Analysis - Health Savings Account Deduction Conformity*, <https://www.ftb.ca.gov/tax-pros/law/legislation/2023-2024/SB230-012323-031523.pdf>.

withdrawals). Conversely (and accounting for the fact that individuals can continue to have an HSA and withdraw HSA funds when they are no longer eligible to contribute to an HSA), the HSA holding institution likely would not be aware of the individuals' enrollment in or disenrollment from an HSA-qualified HDHP. Because of this, HSA holding institutions may not know about an individual's HSA eligibility and insurers may not know about an individual's HSA contributions.

As a result, there may be no single data source to answer key questions of interest, for example, how many individuals eligible to open an HSA or eligible to make an HSA contribution do so.⁶⁶ Instead, HSA research tends to focus on one of two populations, HSA-qualified HDHP enrollees or HSA holders. Although these two product populations overlap, they are not entirely identical. As mentioned, not all HSA-qualified HDHP enrollees are eligible to or have established or contributed to an HSA, and not all HSA holders currently are enrolled in an HSA-qualified HDHP or are currently eligible to contribute to an HSA.

Within this research, other methodological limitations limit the extent to which available research can be generalized to the entire HSA and/or HSA-qualified HDHP populations. Specifically, many HSA holder/HSA-qualified HDHP enrollee studies rely on surveys of insurers, businesses, or HSA administrators. These data may not be nationally representative, may provide unadjusted results from a survey that does not use a random sample of the population being studied, or may use administrative data from a subsection of the population whose data are available. As such, CRS is unaware of data on the *entire* population of HSA-qualified HDHP enrollees or HSA holders.

Current research can highlight various trends with respect to HSA-qualified HDHP enrollment and HSA access and use.

Data Findings

HSA-Qualified HDHP Enrollment

HSA-qualified HDHP enrollment generally increased from the mid-2000s to 2020. An America's Health Insurance Plans report using survey data from insurers showed a continued increase in the number of people enrolled in HSA-qualified HDHPs sold by commercial insurers in the individual and the small- and large-group markets from 2005 through 2017.⁶⁷ A Kaiser Family Foundation (KFF) report using survey data from employers with three or more workers showed an increase in the percentage of employees with health insurance enrolled in HSA-qualified HDHPs between 2007 and 2020 from 3% to 24%.⁶⁸ The Employee Benefit Research Institute (EBRI) summarized HSA-qualified HDHP enrollment trends from 2014-2021 from the survey results of six different entities (two of which surveyed individuals, three of which surveyed employers, and one of which surveyed insurers), and highlighted that most surveys, including the

⁶⁶ A recent study surveyed individuals to determine and evaluate HSA use amongst people enrolled in high-deductible health plans. For purposes of the study, "HSA" was defined to include HSAs and other accounts of funds that could be used to pay for medical care (e.g., health reimbursement arrangements [HRAs]). Jeffrey T. Kullgren, Elizabeth Q. Cliff, and Christopher Krenz, et al., "Use of Health Savings Accounts Among US Adults Enrolled," *JAMA Network Open*. 2020; 3(7):e2011014. doi:10.1001/jamanetworkopen.2020.11014.

⁶⁷ America's Health Insurance Plans, *Health Savings Accounts and Consumer-Directed Health Plans Grow as Valuable Financial Planning Tools*, April 2018, p. 3, https://www.ahip.org/documents/HSA_Report_4.12.18-1.pdf.

⁶⁸ Gary Claxton, Matthew Rae, and Aubrey Winger et al., *Employer Health Benefits 2024 Annual Survey*, Kaiser Family Foundation (KFF), October 2024, p. 136, at <https://files.kff.org/attachment/Employer-Health-Benefits-Survey-2024-Annual-Survey.pdf>. Hereinafter Claxton, Rae, and Winger et al., *Employer Health Benefits*.

aforementioned KFF source, showed growth in the percentage of enrollees in HSA-qualified HDHPs from 2014-2020.⁶⁹

Since 2020, multiple surveys have indicated that the rate of growth in HSA-qualified HDHP enrollment/HDHP-enrollment rates with savings options has appeared to stabilize.⁷⁰ In addition to the aforementioned KFF survey, a Mercer survey of employers with 50-499 employees, and an EBRI/Greenwald Research survey of privately insured adults all have shown little to no changes in the percentage of enrollees in these types of plans.⁷¹

Employer HSA-qualified HDHP offer rates and employee HSA-qualified HDHP enrollment rates with savings options varies by employer size. The KFF report revealed that among firms offering health benefits in 2024, larger employers (i.e., those with 200 or more workers) were more likely than smaller employers (i.e., those with 3-199 workers) to offer HSA-qualified HDHPs to employees (50% to 21%).⁷² Large employers also had a higher percentage of covered employees enrolled in HDHPs with a savings option in 2024, relative to small employers (28% to 23%).⁷³

HSA Access Among Workers

The Bureau of Labor Statistics issued a report based on survey data from private-sector and state and local government employers that indicated that 39% of workers had access to an HSA through their employer in 2024.⁷⁴ Service workers were least likely to have access (20% of workers) and registered nurses were most likely to have access (60% of workers). Access increased as firm size increased and was higher for higher-paying (on average) occupations.

From a historical perspective, the Bureau of Labor Statistics has shown an increase in access to HSAs among private industry workers from 2014 to 2020. Access to HSAs for private industry workers has also stabilized from 2021 to 2023 before increasing in 2024.⁷⁵

⁶⁹ The six entities with survey results included in the Employee Benefit Research Institute (EBRI) report include the Americans' Health Insurance Plans, Mercer, National Center for Health Statistics, Kaiser Family Foundation, EBRI/Greenwald Research Consumer Engagement in Health Care Survey, and the Medical Expenditure Panel Survey. Some surveyed populations account for only those with employer-sponsored plans, whereas others also account for those with individual market plans. Employee Benefit Research Institute, *Growth in Enrollment in HSA-Eligible Health Plans Waning*, January 27, 2022.

⁷⁰ High-deductible health plans with a savings option include plans with an HSA or a health reimbursement arrangement (HRA). HRAs do not need to be paired with the same types of plans that HSAs must be paired with.

⁷¹ Claxton, Rae, and Winger et al., *Employer Health Benefits*, p. 143, Mercer, National Survey of Employer-Sponsored Health Plans 2023 Survey Report, 2024, and Employee Benefit Research Institute, Enrollment in High-Deductible Health Plans and Consumer-Driven Health Plans Remains Steady—Over One-Half of Traditional Plan Enrollees Offered HDHP, April 4, 2024, [https://www.ebri.org/docs/default-source/fast-facts-\(public\)/ff-498-cehchshdhp-4apr24.pdf?sfvrsn=2253072f_1](https://www.ebri.org/docs/default-source/fast-facts-(public)/ff-498-cehchshdhp-4apr24.pdf?sfvrsn=2253072f_1).

⁷² Claxton, Rae, and Winger et al., *Employer Health Benefits*, p. 135.

⁷³ Claxton, Rae, and Winger et al., *Employer Health Benefits*, p. 136.

⁷⁴ U.S. Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2024*, September 19, 2024, <https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2024.htm>.

⁷⁵ U.S. Bureau of Labor Statistics, *High Deductible Health Plans and Health Savings Accounts*, April 11, 2024, <https://www.bls.gov/ebs/factsheets/high-deductible-health-plans-and-health-savings-accounts.htm>, and U.S. Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States, March 2024*, September 19, 2024, <https://www.bls.gov/ebs/publications/employee-benefits-in-the-united-states-march-2024.htm>.

HSA Utilization

The IRS maintains data regarding the number of tax returns reporting HSA contributions and withdrawals. Because these IRS data are based on information provided by tax return, it is not possible to discern from the publicly available data how many individuals (as opposed to how many tax returns or filed forms) made HSA contributions or withdrawals in each tax year. Because each tax return is filed on behalf of at least one individual, the actual number of individuals making HSA contributions or withdrawals would be no fewer than the number of returns indicating such activity. Therefore, the figures reported here represent a minimum number of individuals who made HSA contributions or withdrawal in each tax year.

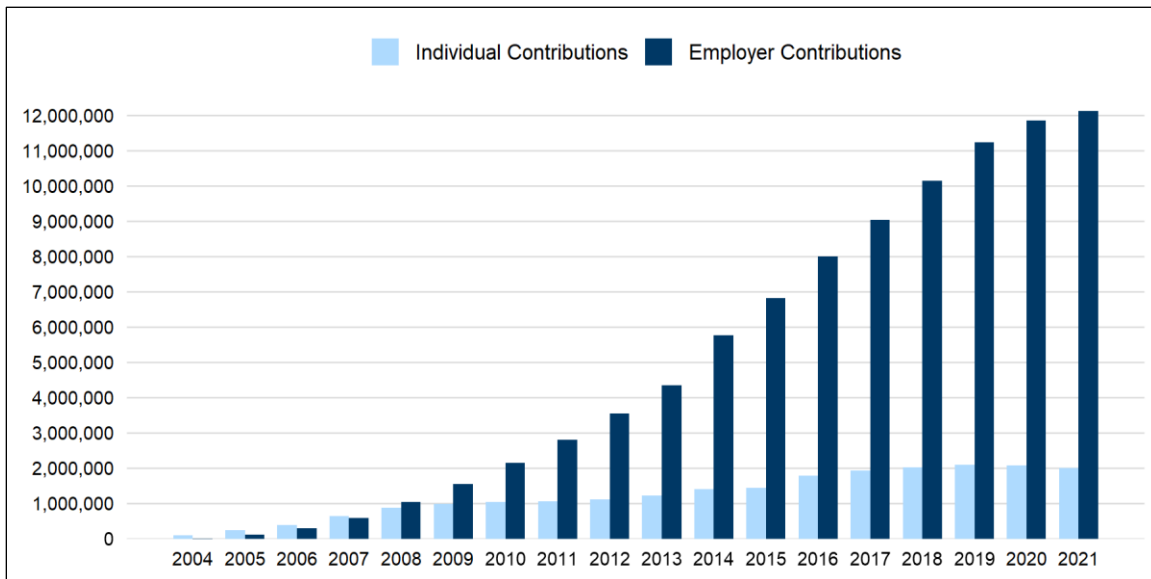
HSA Contribution Data

For tax year 2021, the IRS estimated that 2 million tax returns reported an HSA that received individual contributions (1.2% of filed tax returns) and 12.1 million tax returns reported an HSA that received employer contributions (7.5% of filed tax returns).⁷⁶ In this context, individual contributions are non-employer contributions made by or on behalf of an individual. Employer contributions include contributions made by an employer and contributions made by an employee through a cafeteria plan. The aforementioned tax return categories are not mutually exclusive (e.g., a tax return can have both individual and employer contributions).

Similar to historical increases in HSA-qualified HDHP enrollment, the IRS has estimated increases in both the number of tax returns reporting individual HSA contributions and the number of tax returns reporting employer HSA contributions from tax years 2004 to 2019, although the number of returns reporting employer contributions grew at a faster rate than the number of returns reporting individual contributions. Since 2019, the number of returns reporting individual contributions has decreased and the rate of growth for employer HSA contributions year-over-year has decreased, which could be related to the stabilization of HSA-qualified HDHP enrollment since 2020 (see **Figure 1**).⁷⁷

⁷⁶ Tax returns can represent contributions to more than one HSA account (e.g., spouses filing jointly can contribute to each of their own HSAs). The IRS estimates do not account for individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA. CRS analysis of Internal Revenue Service, *Statistics of Income—2021 Individual Income Tax Returns Line Item Estimates*, pp. 2, 215, <https://www.irs.gov/pub/irs-pdf/p4801.pdf>.

⁷⁷ Internal Revenue Service, *SOI Tax Stats – Individual Income Tax Returns, Line Item Estimates*, at <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-line-item-estimates>. For tax year 2021, the total number of individual returns filed also decreased by approximately 3.5 million, or 2.2% from 2020.

Figure I. Tax Returns Reporting HSA Contributions, TY2004-TY2021

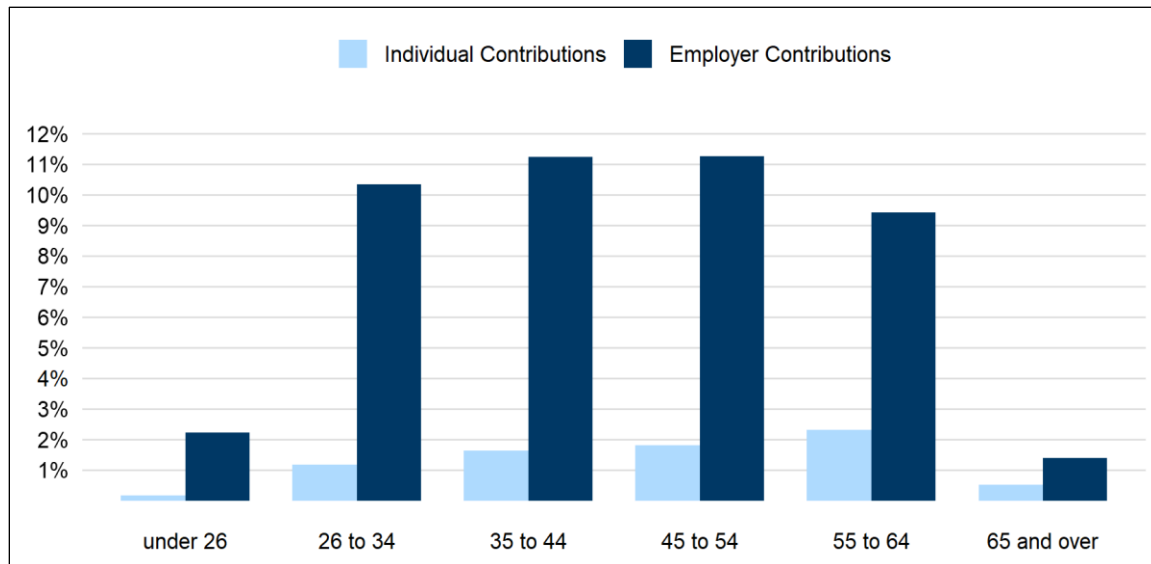
Source: CRS analysis of Internal Revenue Service, *SOI Tax Stats – Individual Income Tax Returns, Line Item Estimates*, at <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-line-item-estimates>.

Notes: TY = tax year. HSA = health savings account. Tax return categories are not mutually exclusive (e.g., a tax return can have both individual and employer contributions). Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

CRS analysis of IRS data for tax year 2021 revealed that the percentage of tax returns that reported employer contributions was similar across all age groupings from 26 to 64, ranging from 9.4% to 11.3%. The highest percentage was observed among individuals aged 35 to 54 (see **Figure 2**).⁷⁸

The percentage of tax returns within different age brackets that reported individual contributions was also similar across all age groupings from 26 to 64, but slightly increased as individuals age. These percentages ranged from 1.2% to 2.3%. Individual contributions occurred less frequently than employer contributions across all ages.

⁷⁸ Age for joint returns was based on the primary taxpayer's age. CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Figure 2. Percentage of Tax Returns Reporting HSA Contributions in TY2021, by Age

Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 12%. Tax return categories are not mutually exclusive (e.g., a tax return can have both individual and employer contributions). Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer's age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

Two age groupings have markedly lower HSA contribution rates: under 26, and 65 and over. Of the tax returns for those aged 25 and younger, 2.2% made employer contributions and 0.2% made individual contributions. Of the tax returns for those aged 65 and older, 1.4% made employer contributions and 0.5% made individual contributions.

Reduced HSA participation among those aged 25 and younger may be due to dependency status and lower private health insurance enrollment rates. These individuals may have been more likely to be claimed as dependents on another taxpayer's return as compared to other age groups, which disqualifies them from HSA eligibility.⁷⁹ In addition, those aged 19 and younger and those aged 19-25 tend to have lower rates of private health insurance enrollment compared to other age groups, which limits the population that may be HSA eligible.⁸⁰

The drop-off in the number of returns reporting HSA contributions in the 65 and over age bracket is most likely associated with individuals enrolling in Medicare at the age of 65 and no longer being eligible to contribute to an HSA as a result of such enrollment.⁸¹ The tax returns that

⁷⁹ Tax dependency and private health insurance coverage dependency are made by separate determinations. For example, an individual may be considered a dependent on a parent's private health insurance policy while not being considered a tax dependent to such parent. Tax dependency is defined in statute at 26 U.S.C. §152 and private health insurance coverage dependency requirements can be found at 42 U.S.C. §300gg-14.

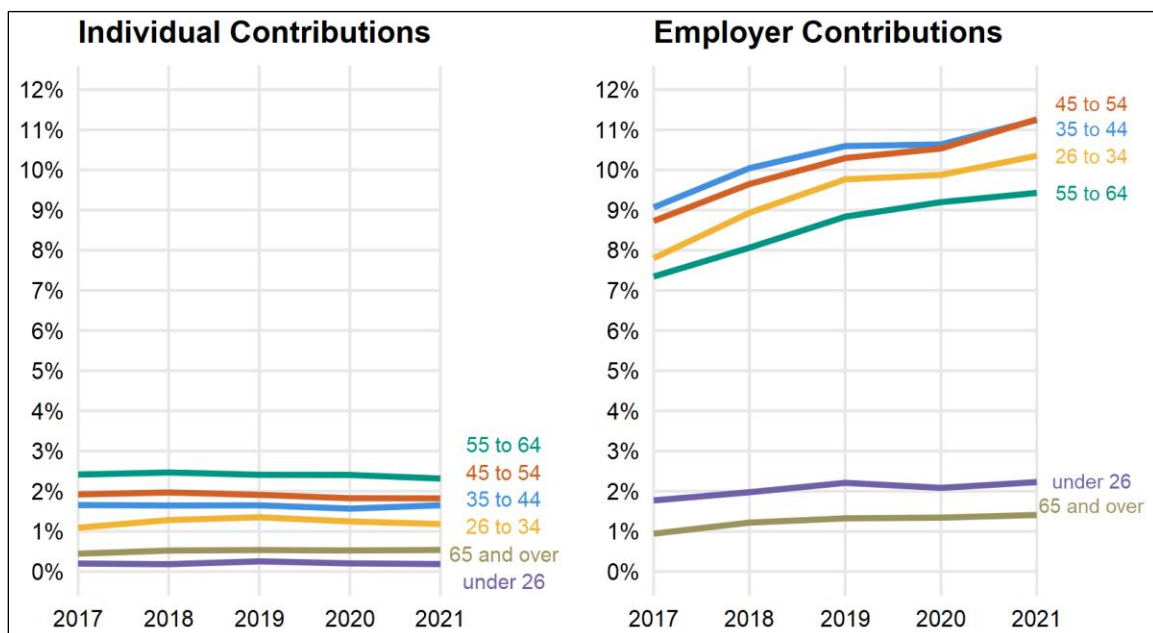
⁸⁰ Katherine Keisler-Starkey, Lisa N. Bunch, and Rachel A. Lindstrom, *Health Insurance Coverage in the United States: 2022*, U.S. Census Bureau, September 2023, p. 6, <https://www.census.gov/content/dam/Census/library/publications/2023/demo/p60-281.pdf>.

⁸¹ For more information on the relationship between HSAs and Medicare, see CRS In Focus IF11425, *Health Savings Accounts (HSAs) and Medicare*.

indicate HSA contributions where the primary taxpayer is aged 65 and over may be the result of the taxpayer delaying Medicare enrollment and retaining HSA eligibility and/or the primary taxpayer having a spouse who is under 65 and retains HSA eligibility.

From tax years 2017 through 2021, employer HSA contributions saw steady growth, particularly for individuals aged 26 to 64, while individual contributions remained unchanged. The percentage of tax returns reporting employer HSA contributions increased across all age groups, with a more notable increase for those aged 26 to 64. During this period, employer contributions grew by 2.1–2.6 percentage points for those aged 26 to 64, compared to a smaller 0.5 percentage points for those under 26 and those aged 65 and older. In contrast, the percentage of tax returns within each age group indicating individual contributions was relatively flat from tax years 2017 to 2021.

Figure 3. Percentage of Tax Returns Reporting HSA Contributions from TY2017 to TY2021, by Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

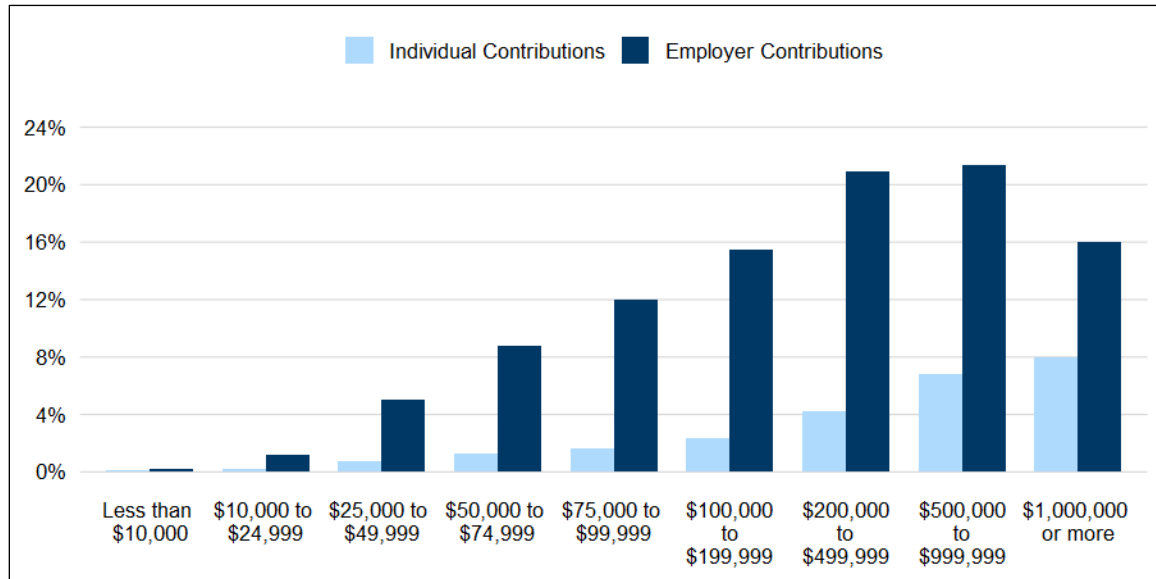
Notes: TY = tax year. HSA = health savings account. X-Axis refers to tax year. Y-Axis Maximum = 12%. Tax return categories are not mutually exclusive (e.g., a tax return can have both individual and employer contributions). Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer's age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

When looking at contribution statistics by adjusted gross income (AGI) instead of age, tax returns with higher AGIs generally were more likely to indicate employer and individual HSA contributions relative to lower AGIs.⁸² Returns with AGIs at or above \$100,000 had the highest

⁸² The increased prevalence of HSA contributions among tax returns with higher AGIs is similar to the findings of previous research that looked at IRS data to evaluate the relationships between HSA utilization and income. One report by the U.S. Government Accountability Office looked at IRS data from 2005 and one study looked at IRS data from 2012. U.S. Government Accountability Office, *HEALTH SAVINGS ACCOUNTS: Participation Increased and Was* (continued...)

rates of reporting HSA employer contributions; the estimated percentage of returns that indicated employer contributions increased as AGI increased up to the \$500,000 to \$999,999 AGI bracket, before decreasing as AGI increased above this bracket (see **Figure 4**).⁸³ Of those tax returns with AGI between \$500,000 and \$999,999, roughly 1 in 5 tax returns (21.4%) indicated an employer contribution (and/or employee cafeteria plan contribution) to an HSA in tax year 2021. The percentages of returns in each AGI bracket reporting employer contributions ranged from 0.2% to 21.4%, which is a wider variance than when looking at the data by age.

Figure 4. Percentage of Tax Returns Reporting HSA Contributions in TY2021, by Adjusted Gross Income



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 24%. Tax return categories are not mutually exclusive (e.g., a tax return can have both individual and employer contributions). Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

With respect to individual contributions, the estimated percentage of returns within an AGI bracket that indicated individual contributions to HSAs increased as AGI increased. These percentages ranged from 0.1% in the lowest AGI bracket and increased to 8.0% in the highest AGI bracket. Similar to looking at tax returns by age, individual contributions occurred less frequently than employer contributions within all AGI brackets.

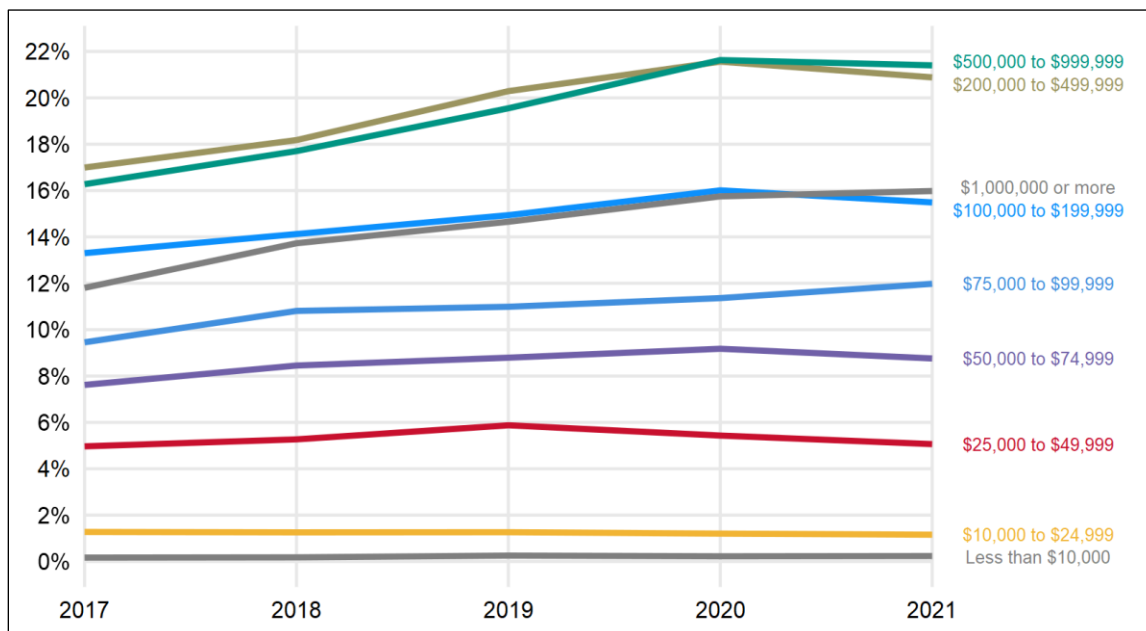
More Common among Individuals with Higher Incomes, GAO-08-474R, April 2008, <https://www.gao.gov/products/GAO-08-474R> and Lorens A. Helmchen, David W. Brown, and Ithai Z. Lurie, et al., “Health Savings Accounts: Growth Concentrated Among High-Income Households and Large Employers,” *Health Affairs Journal*, vol. 34, no.9 (September 2015), p. 1594, at <https://www.healthaffairs.org/doi/abs/10.1377/hlthaff.2015.0480>.

⁸³ For more information on Adjusted Gross Income, see “Adjusted Gross Income (AGI)” in CRS Report RL30110, *Federal Individual Income Tax Terms: An Explanation*. CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

The percentage of tax returns with employer HSA contributions increased from 2017 to 2021 for tax returns with AGIs at or above \$50,000, with tax returns with AGIs at or above \$200,000 having the greatest increases (**Figure 5**). Specifically, for AGI brackets at or above \$50,000, the percentage of tax returns with an employer HSA contribution increased by 1.1 to 5.1 percentage points. The highest increase, 5.1 percentage points, occurred in the \$500,000 to \$999,999 AGI bracket.

Notably, all AGI brackets, except for two brackets (\$75,000-\$99,999 and \$1,000,000 or more) experienced either a slight decline or stagnation in the percentage of returns with an employer HSA contribution from tax years 2020 to 2021. This trend may be associated with the stagnation in HSA-qualified HDHP enrollment observed in various surveys.⁸⁴ Similarly, the percentage of tax returns in each AGI bracket that reported individual contributions either declined or remained unchanged during the same period (**Figure 6**).

Figure 5. Percentage of Tax Returns Reporting Employer HSA Contributions from TY2017 to TY2021, by Adjusted Gross Income

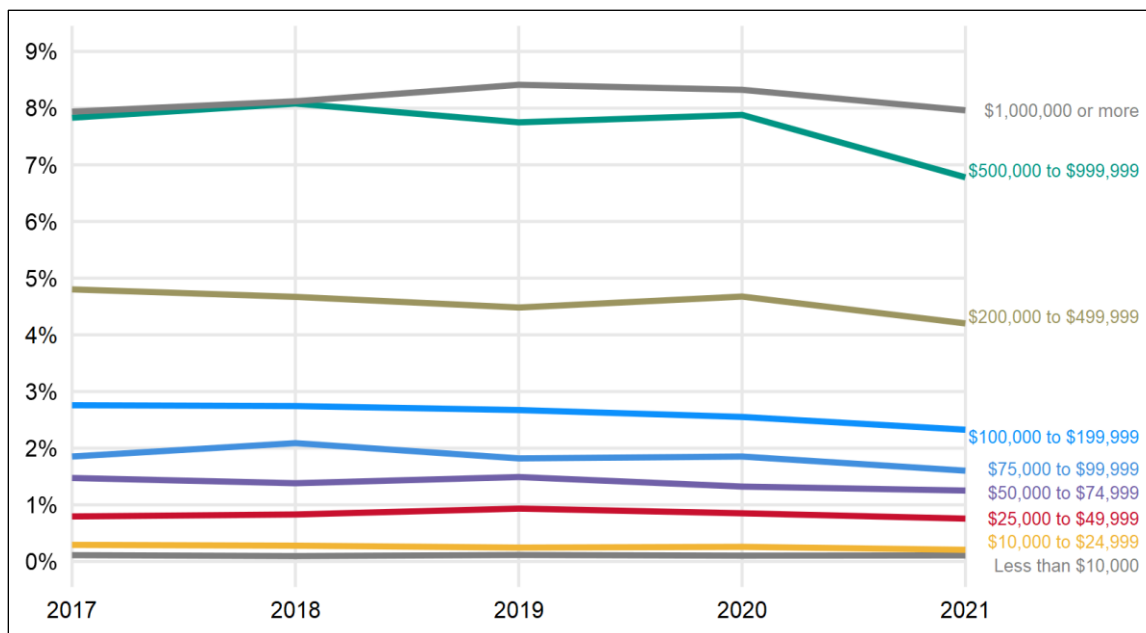


Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. X-Axis refers to tax year. Y-Axis Maximum = 22%. Tax return categories are not mutually exclusive (e.g., a tax return can have both individual and employer contributions). Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting employer HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

⁸⁴ See “HSA-Qualified HDHP Enrollment.”

Figure 6. Percentage of Tax Returns Reporting Individual HSA Contributions from TY2017 to TY2021, by Adjusted Gross Income



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

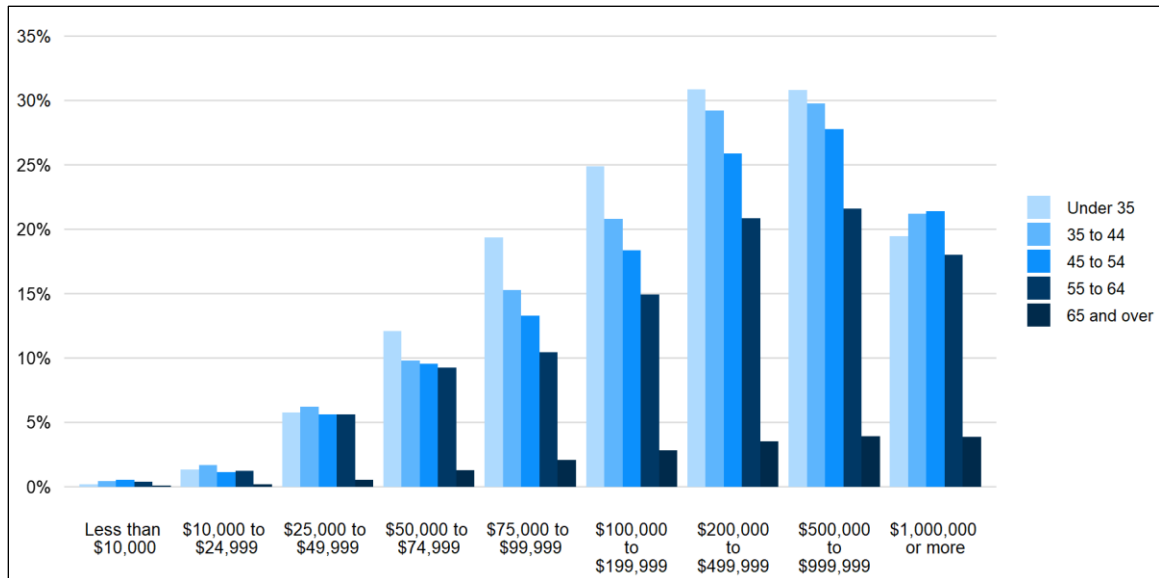
Notes: TY = tax year. HSA = health savings account. X-Axis refers to tax year. Y-Axis Maximum = 9%. Tax return categories are not mutually exclusive (e.g., a tax return can have both individual and employer contributions). Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting individual HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

Looking at the percentage of tax returns reporting an employer HSA contribution by age and AGI in 2021 reveals that for the five AGI brackets between \$50,000 and \$1,000,000, taxpayers aged 35 and under had the greatest likelihood of any age grouping within the AGI bracket to have an employer HSA contribution, with employer contributions occurring less frequently as taxpayers within each AGI bracket aged (**Figure 7**).⁸⁵ Those younger than 35 with AGIs between \$200,000 and \$999,999 saw the highest overall prevalence, with nearly a third of tax returns reporting an employer HSA contribution within the corresponding AGI bracket. However, the decrease in HSA employer contributions as age groupings increased was not as pronounced within lower-income AGI brackets (i.e., AGI brackets below \$50,000). Because many tax returns are in these lower-income AGI brackets, and roughly 75% of returns for those under 35 have an AGI below \$50,000, the decrease in HSA employer contributions as taxpayers age from under 35 to 64 is not evident when looking at HSA employer contribution data by age alone (i.e., in **Figure 2**).

The decrease in prevalence of employer HSA contributions within an AGI bracket as age increased has existed for the AGI brackets between \$50,000 and \$499,999 since at least tax year 2017 and appeared in the \$25,000-\$50,000 AGI bracket from tax years 2017 to 2019 (see **Appendix**).

⁸⁵ The IRS-provided data combined the under 26 and 26–35 age brackets for the age and adjusted gross income statistics to avoid disclosure of information for specific taxpayers.

Figure 7. Percentage of Tax Returns Reporting Employer HSA Contributions for TY2021, by Adjusted Gross Income and Age

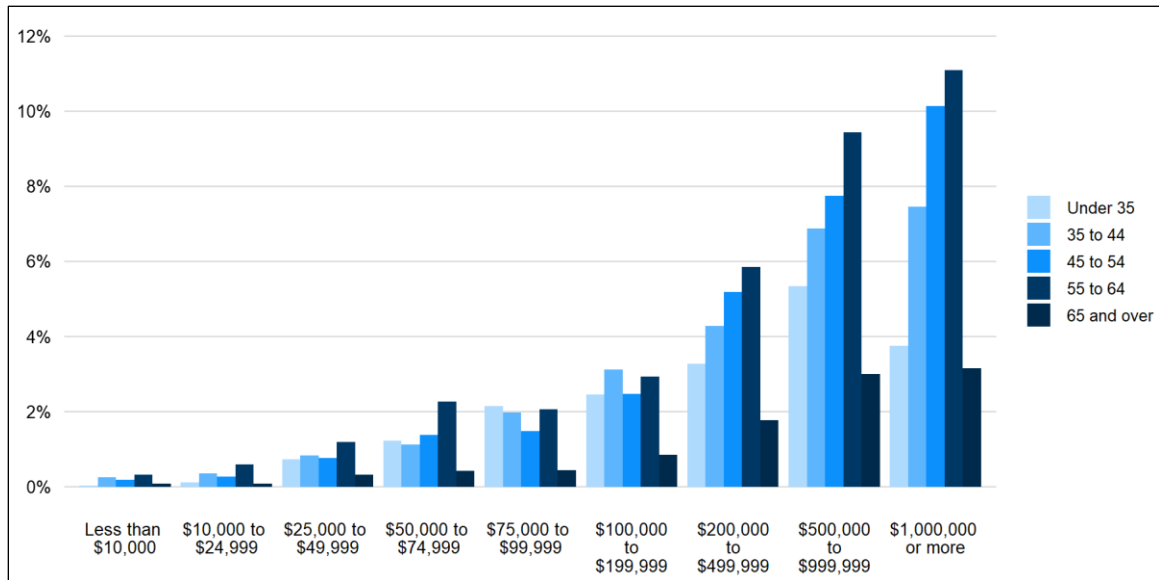


Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 35%. Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer's age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting employer HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

Looking at the percentage of tax returns reporting an individual HSA contribution by age and AGI in tax year 2021 reveals the prevalence of individual contributions for those aged 55-64, which had the highest likelihood of individual HSA contributions within most AGI brackets (**Figure 8**). For the three AGI brackets at \$200,000 and above, the prevalence of individual contributions increased with age up to those aged 55-64. These trends also were largely present in data from tax years 2017 to 2020 (see **Appendix**).

Figure 8. Percentage of Tax Returns Reporting Individual HSA Contributions for TY2021, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 12%. Tax returns can represent more than one individual and therefore tax returns can represent contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer's age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting individual HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

HSA Withdrawal Data

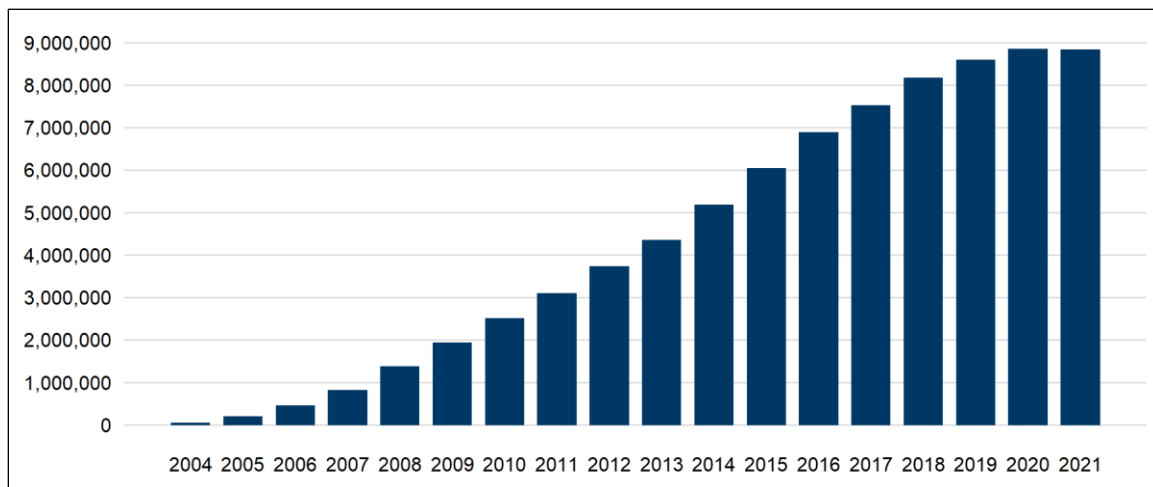
The IRS estimated that the number of tax returns indicating non-rollover HSA withdrawals increased from tax years 2004 to 2020 (see **Figure 9**).⁸⁶ Tax year 2021 saw the first slight decrease of withdrawals relative to the prior year (-0.3%).⁸⁷

For tax year 2021, the IRS estimated that approximately 8.8 million tax returns reported a non-rollover HSA withdrawal (5.5% of filed tax returns).⁸⁸ Of the population indicating HSA withdrawals in 2021, approximately 4% indicated taxable withdrawals (i.e., withdrawals for non-qualified medical expenses).

⁸⁶ Caution should be exercised in comparing contribution and withdrawal statistics since HSA withdrawals may be tied to contributions from a previous tax year. As such, the population of tax returns that indicated an HSA withdrawal is not the same as the population of tax returns that indicated an HSA contribution. Internal Revenue Service, *SOI Tax Stats – Individual Income Tax Returns, Line Item Estimates*, at <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-line-item-estimates>.

⁸⁷ Internal Revenue Service, *Statistics of Income—2021 Individual Income Tax Returns*, p. 25, <https://www.irs.gov/pub/irs-pdf/p1304.pdf>. It is important to note that for tax year 2021, the total number of individual returns filed also decreased by approximately 3.5 million, or 2.2% from 2020.

⁸⁸ CRS analysis of Internal Revenue Service, *Statistics of Income—2021 Individual Income Tax Returns Line Item Estimates*, pp. 2, 214, <https://www.irs.gov/pub/irs-pdf/p4801.pdf>.

Figure 9. Tax Returns Reporting Non-rollover HSA Withdrawals, TY2004-TY2021

Source: CRS analysis of Internal Revenue Service, *SOI Tax Stats – Individual Income Tax Returns, Line Item Estimates*, at <https://www.irs.gov/statistics/soi-tax-stats-individual-income-tax-returns-line-item-estimates>.

Notes: TY = tax year. HSA = health savings account. HSA withdrawal data include tax returns that made withdrawals for non-qualified medical expenses. Tax returns can represent more than one individual, and therefore tax returns can represent more than one HSA (e.g., spouses withdrawing from each of their own HSAs). Counts do not include tax returns of individuals who had an HSA but did not make a distribution from an HSA. Data do not correspond to HSA eligibility.

CRS analysis of 2021 tax year data provided by the IRS found that, in 2021, the percentage of tax returns indicating a non-rollover HSA withdrawal was lowest in the 26-34 age bracket (5.5%) as compared to the other age brackets from 35 to 64.⁸⁹ The prevalence of non-rollover HSA withdrawals was roughly similar for age brackets from 35 to 64 (7.7%-8.6%), with a peak in the 45-54 age bracket (see **Figure 10**). From tax year 2017 to 2021, there were slight increases in percentages of tax returns indicating a non-rollover HSA withdrawal (up to 1.1 percentage point) across all age groups except for those under 26 (see **Figure 11**).

Since 2017, the 26-34 age bracket has consistently had lower HSA withdrawal rates compared to other age groups. This trend could be associated a couple factors. Considering the age of the 26-34 population, these individuals are likely to have had less time to establish an HSA relative to those in other age brackets, especially when considering the impact of dependency status on HSA eligibility. Of those in this age bracket that did establish an HSA, the HSAs associated with these individuals may be more likely to be newer than the HSAs associated with individuals in older age brackets. HSA research has indicated that newer accounts generally have lower rates of HSA withdrawals.⁹⁰ This research has speculated that this may be because account holders have not had enough time to build up HSA balances and because HSAs are unable to cover health care expenses incurred prior to the opening date of the account.

In addition, younger individuals are less likely to have health care expenditures in a given year and, when they do, such amounts tend to be lower (relative to older groups).⁹¹ Because of this,

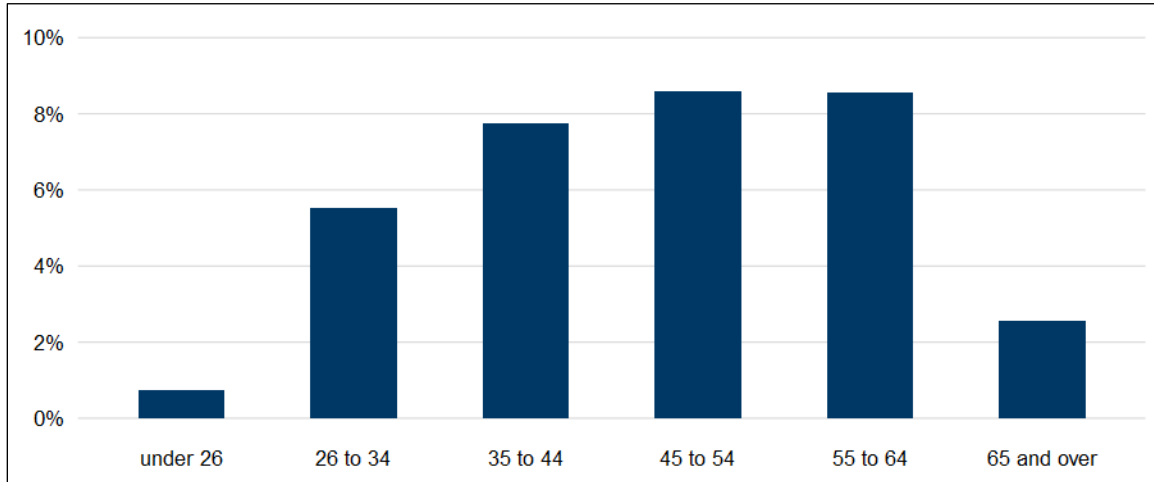
⁸⁹ CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

⁹⁰ Paul Fronstin and Jake Spiegel, *Trends in Health Savings Account Balances, Contributions, Distributions, and Investments and the Impact of COVID-19*, Employee Benefit Research Institute, September 15, 2021, p. 14.

⁹¹ Agency for Healthcare Research and Quality, *MEPS Summary Tables: Use, Expenditures, and Population*, <https://datatools.ahrq.gov/meps-hc>.

those individuals in the 26-34 age bracket that had an HSA may have been less likely to need to make withdrawals (or may have paid for such expenditures from non-HSA sources).

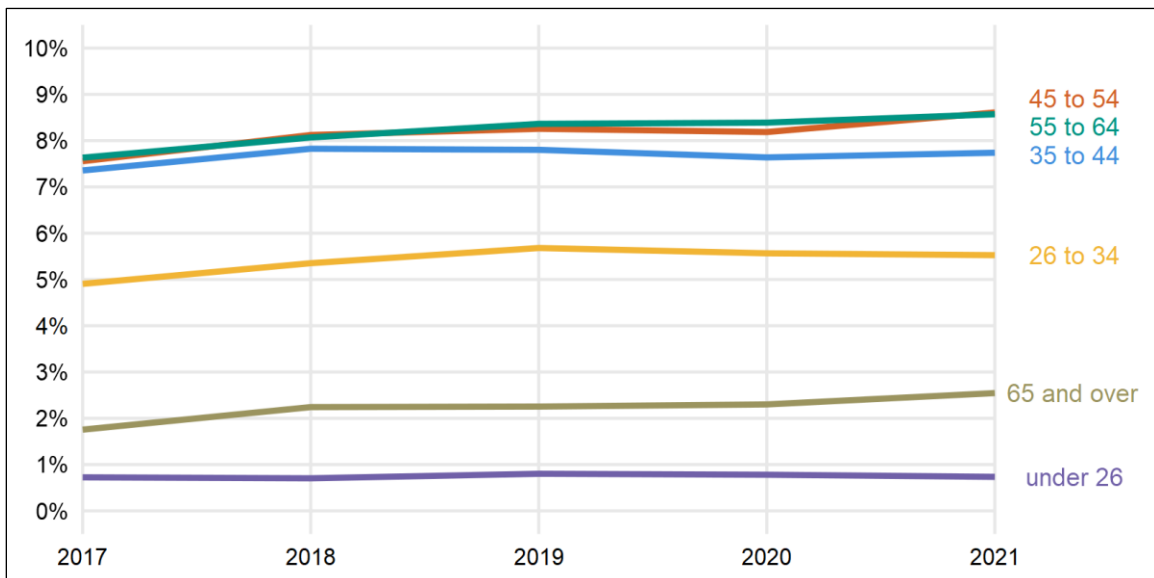
Figure 10. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals in TY2021, by Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 10%. HSA withdrawal data include tax returns that made withdrawals for non-qualified medical expenses. Tax returns can represent more than one individual, and therefore tax returns can represent more than one HSA (e.g., spouses withdrawing from each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who had an HSA but did not make a distribution from an HSA. Data do not correspond to HSA eligibility.

Figure 11. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals from TY2017 to TY2021, by Age

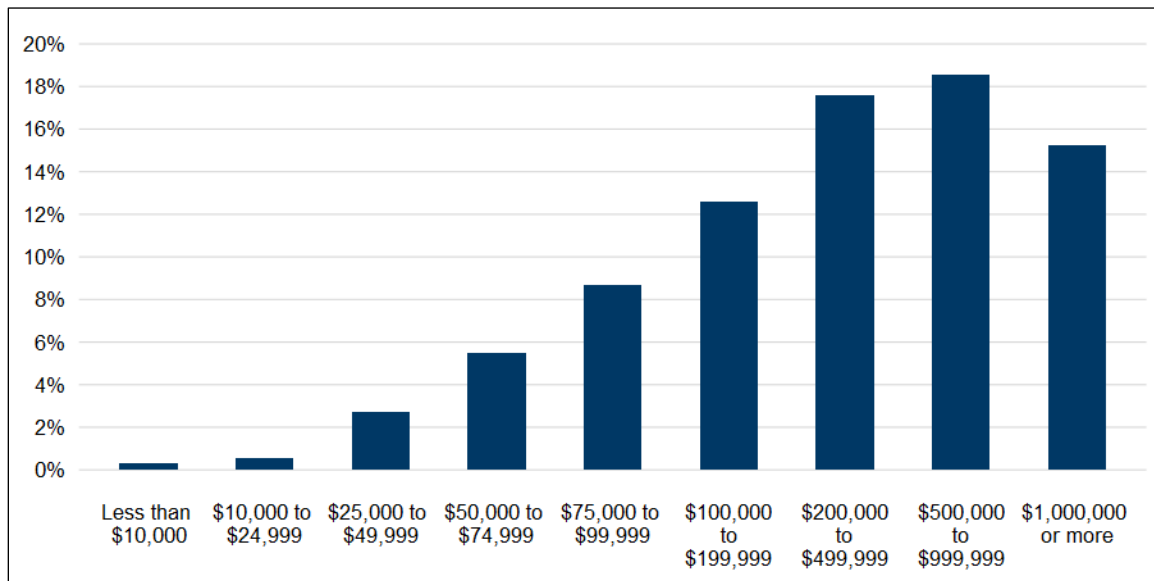


Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 10%. HSA withdrawal data include tax returns that made withdrawals for non-qualified medical expenses. Tax returns can represent more than one individual, and therefore tax returns can represent more than one HSA (e.g., spouses withdrawing from each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who had an HSA but did not make a distribution from an HSA. Data do not correspond to HSA eligibility.

When looking at the rates of non-rollover HSA withdrawals by AGI, withdrawals are more common in higher AGI brackets, peaking in the \$500,000 to \$999,999 range, with trends over time showing fairly consistent withdrawal rates by AGI. The prevalence of non-rollover HSA withdrawals increased as AGI increased up to the \$500,000 to \$999,999 AGI bracket, and decreased at the \$1 million or more AGI bracket (see **Figure 12**).⁹² Of those tax returns with AGI between \$500,000 and \$999,999, approximately 1 in 5 tax returns (18.6%) indicated a non-rollover HSA withdrawal in tax year 2021. The percentages of returns in each AGI bracket making non-rollover withdrawals ranged from 0.3% to 18.6%, which is a wider variance than when looking at withdrawal data by age. From tax years 2017-2021, these trends have been fairly consistent, with slight decreases for the AGI brackets between \$10,000 and \$74,999 (maximum decrease of 0.6 percentage points) and slight increases for the AGI brackets starting at \$75,000 and higher (maximum increase of 1.4 percentage points) (see **Figure 13**).

Figure 12. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals in TY2021, by Adjusted Gross Income

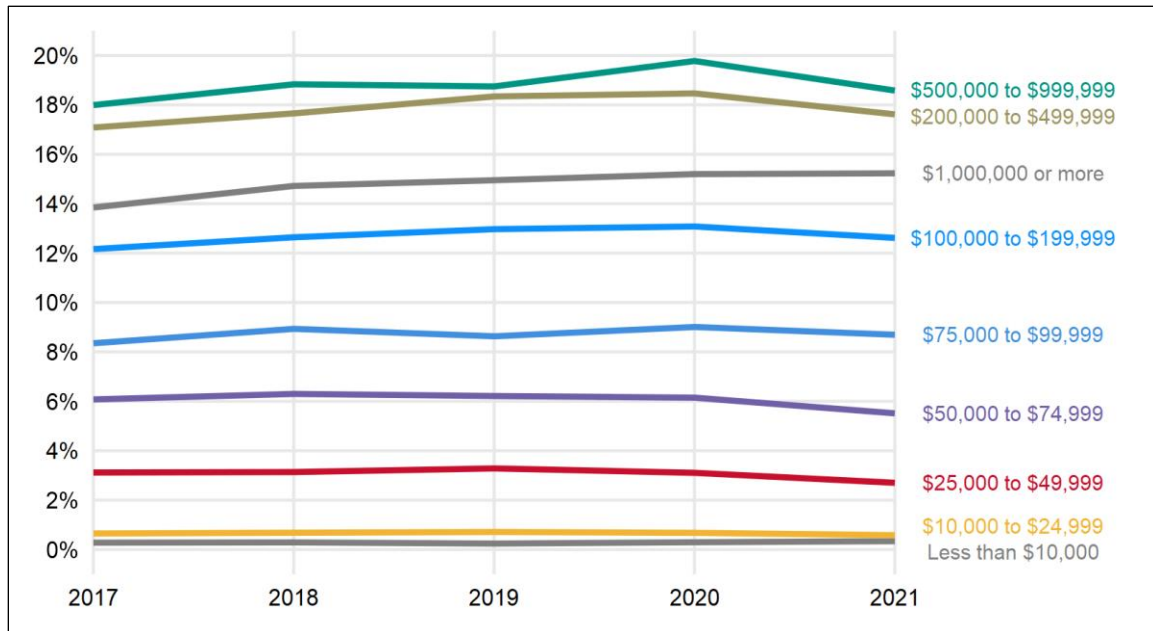


Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 20%. HSA withdrawal data include tax returns that made withdrawals for non-qualified medical expenses. Tax returns can represent more than one individual, and therefore tax returns can represent more than one HSA (e.g., spouses withdrawing from each of their own HSAs). Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who had an HSA but did not make a distribution from an HSA. Data do not correspond to HSA eligibility.

⁹² CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Figure 13. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals from TY2017 to TY2021, by Adjusted Gross Income

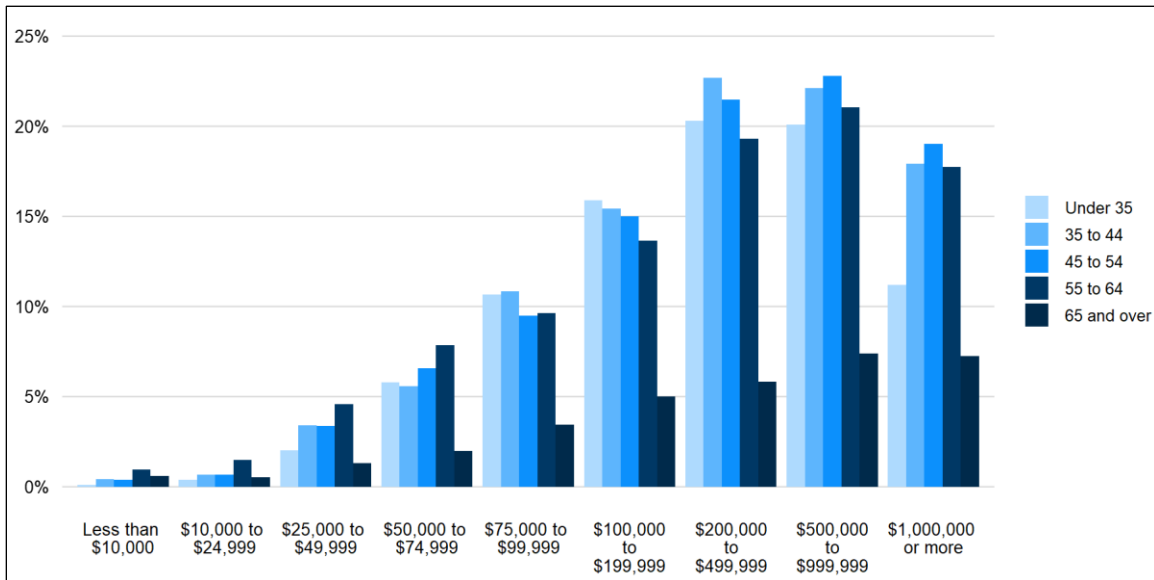


Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 20%. HSA withdrawal data include tax returns that made withdrawals for non-qualified medical expenses. Tax returns can represent more than one individual, and therefore tax returns can represent more than one HSA (e.g., spouses withdrawing from each of their own HSAs). Age for joint returns was based on the primary taxpayer's age. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who had an HSA but did not make a distribution from an HSA. Data do not correspond to HSA eligibility.

Looking at the percentage of tax returns reporting a non-rollover HSA withdrawal by age and AGI in tax year 2021 highlights a general increased prevalence of withdrawals as AGI increases up to \$1 million for all age brackets (**Figure 14**).

Figure 14. Percentage of Tax Returns Reporting Non-Rollover HSA Withdrawals for TY2021, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 25%. HSA withdrawal data include tax returns that made withdrawals for non-qualified medical expenses. Tax returns can represent more than one individual, and therefore tax returns can represent more than one HSA (e.g., spouses withdrawing from each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who had an HSA but did not make a distribution from an HSA. Data do not correspond to HSA eligibility.

Appendix. Additional Tables

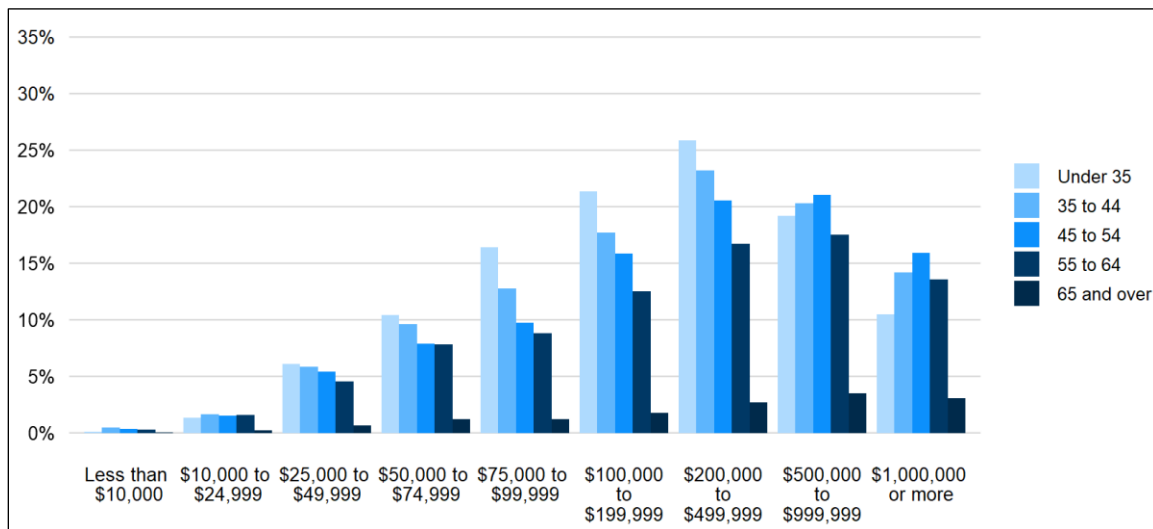
This appendix contains additional figures for HSA utilization by age and AGI for tax year 2017 to tax year 2020.

Figures A-1 to A-4 show employer HSA contributions from tax year 2017 to tax year 2020 and complement information from tax year 2021 presented in **Figure 7**.

Figures A-5 to A-8 show individual HSA contributions from tax year 2017 to tax year 2020 and complement information from tax year 2021 presented in **Figure 8**.

Figures A-9 to A-12 show non-rollover HSA withdrawals from tax year 2017 to tax year 2020 and complement information from tax year 2021 presented in **Figure 14**.

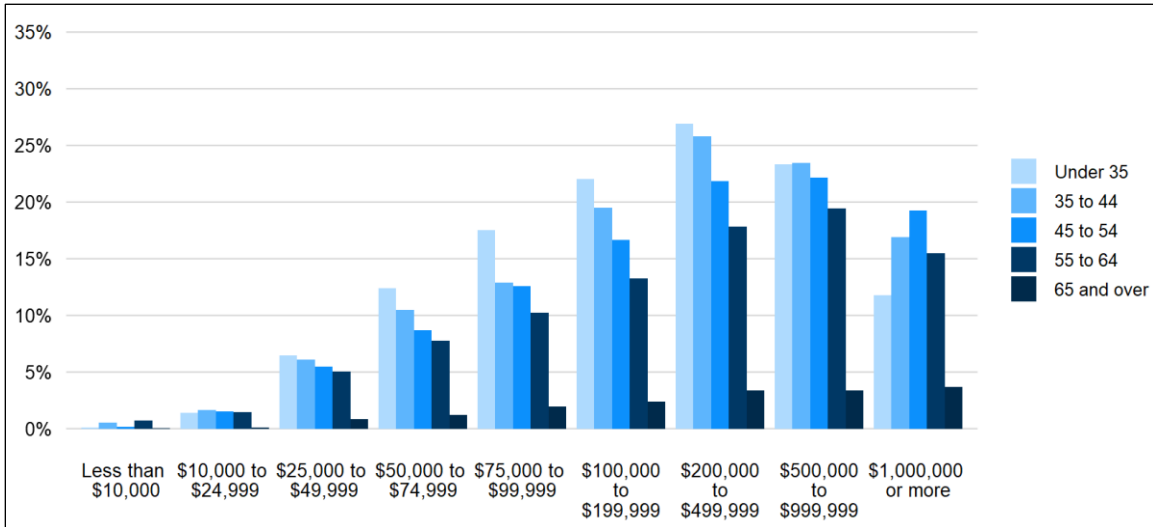
Figure A-I. Percentage of Tax Returns Reporting Employer HSA Contributions for TY2017, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 35%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer's age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting employer HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

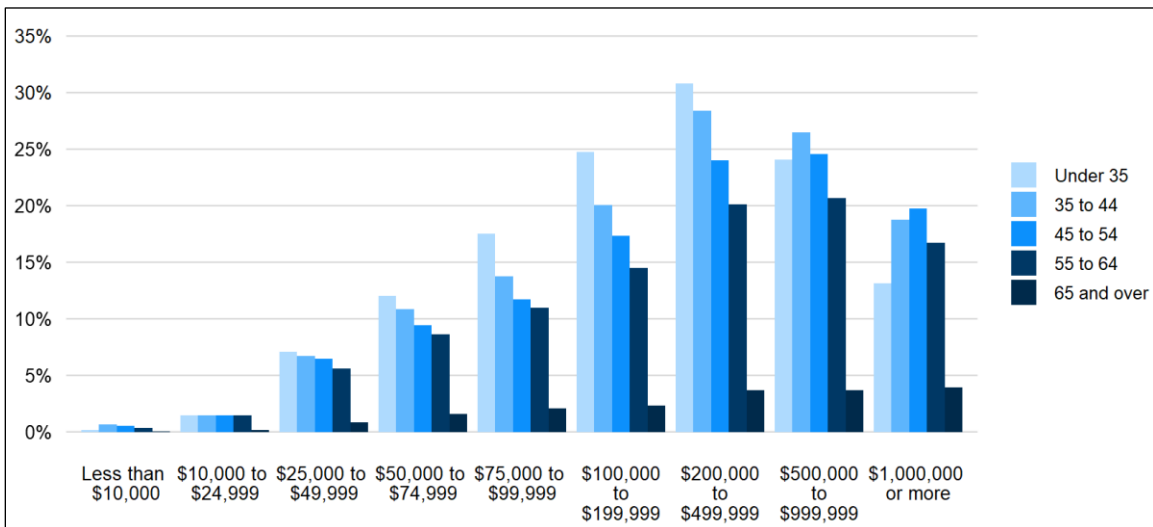
Figure A-2. Percentage of Tax Returns Reporting Employer HSA Contributions for TY2018, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 30%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting employer HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

Figure A-3. Percentage of Tax Returns Reporting Employer HSA Contributions for TY2019, by Adjusted Gross Income and Age

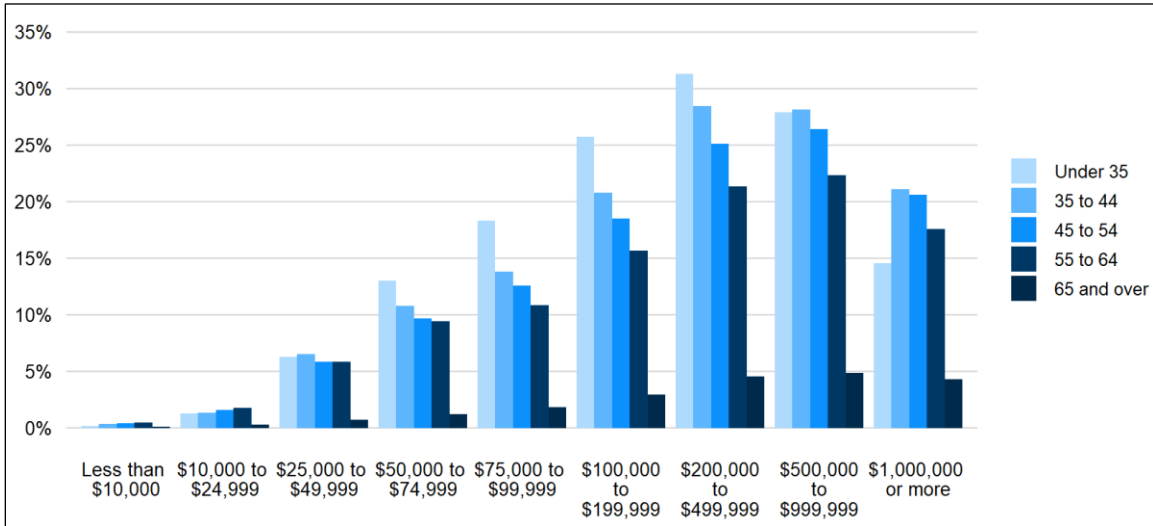


Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 35%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns

reporting employer HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

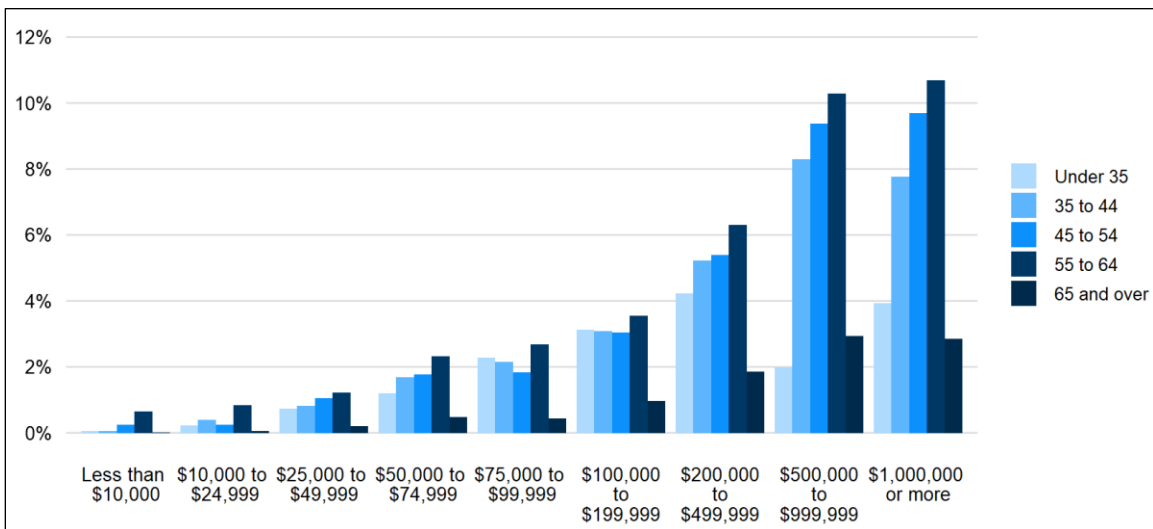
Figure A-4. Percentage of Tax Returns Reporting Employer HSA Contributions for TY2020, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 35%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting employer HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

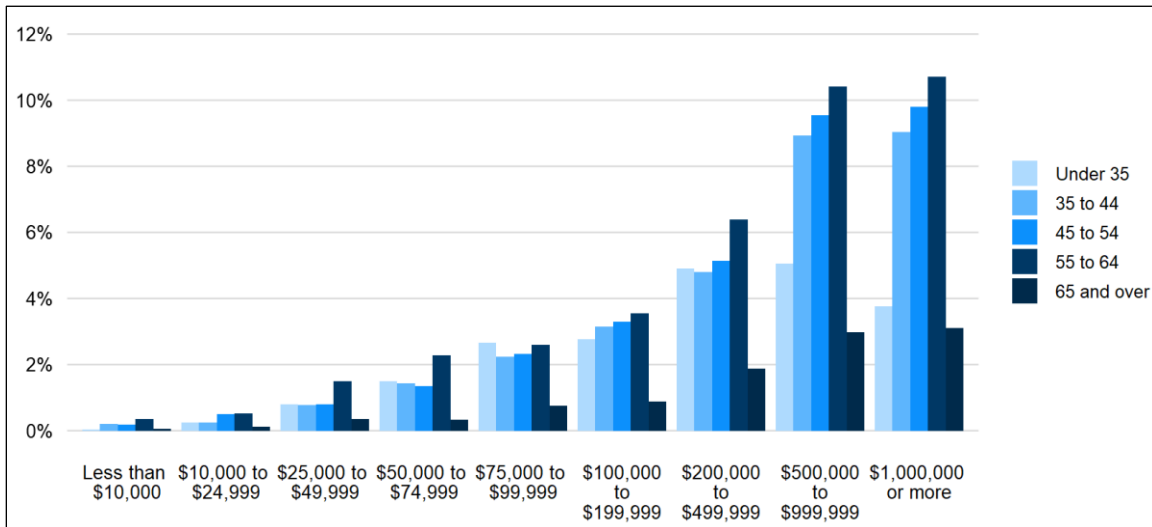
Figure A-5. Percentage of Tax Returns Reporting Individual HSA Contributions for TY2017, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 12%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting individual HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

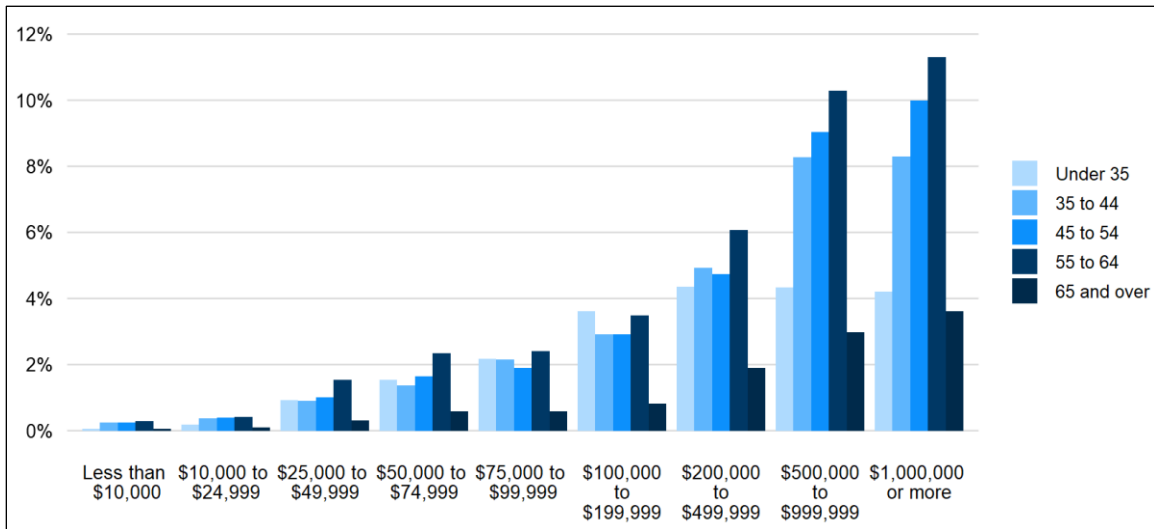
Figure A-6. Percentage of Tax Returns Reporting Individual HSA Contributions for TY2018, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 12%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting individual HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

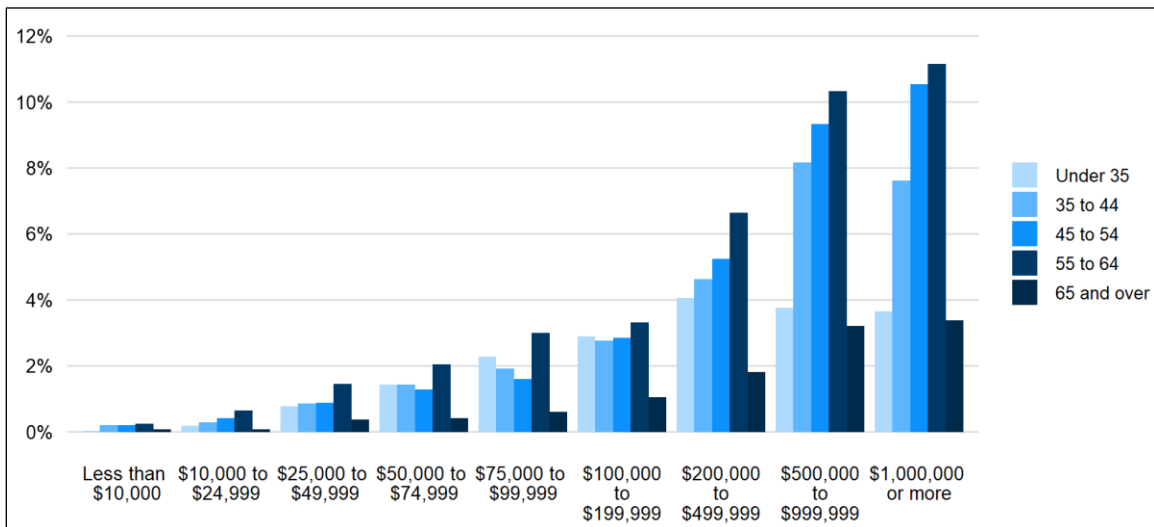
Figure A-7. Percentage of Tax Returns Reporting Individual HSA Contributions for TY2019, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 12%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting individual HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

Figure A-8. Percentage of Tax Returns Reporting Individual HSA Contributions for TY2020, by Adjusted Gross Income and Age

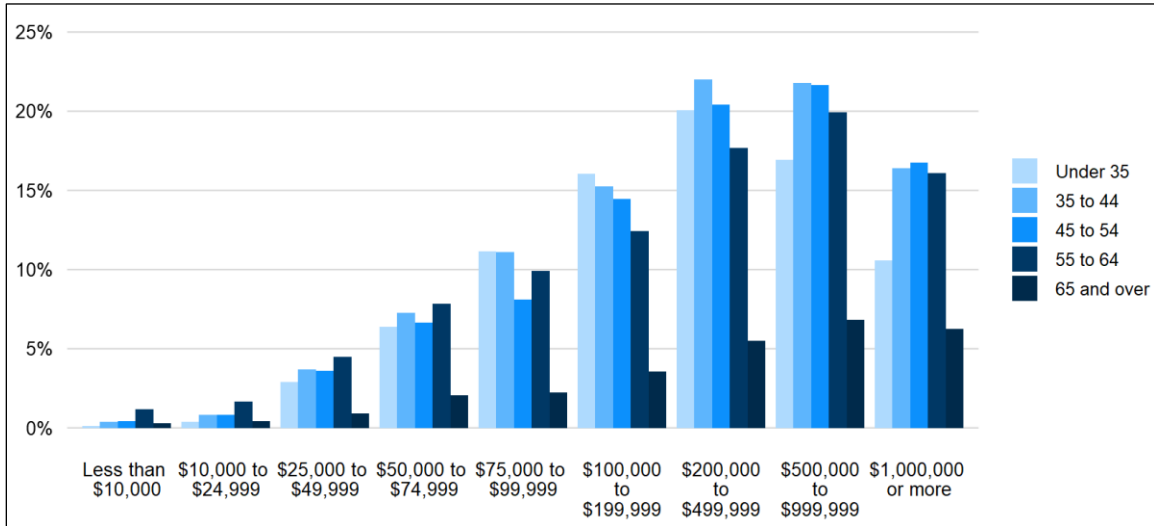


Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 12%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns

reporting individual HSA contributions do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

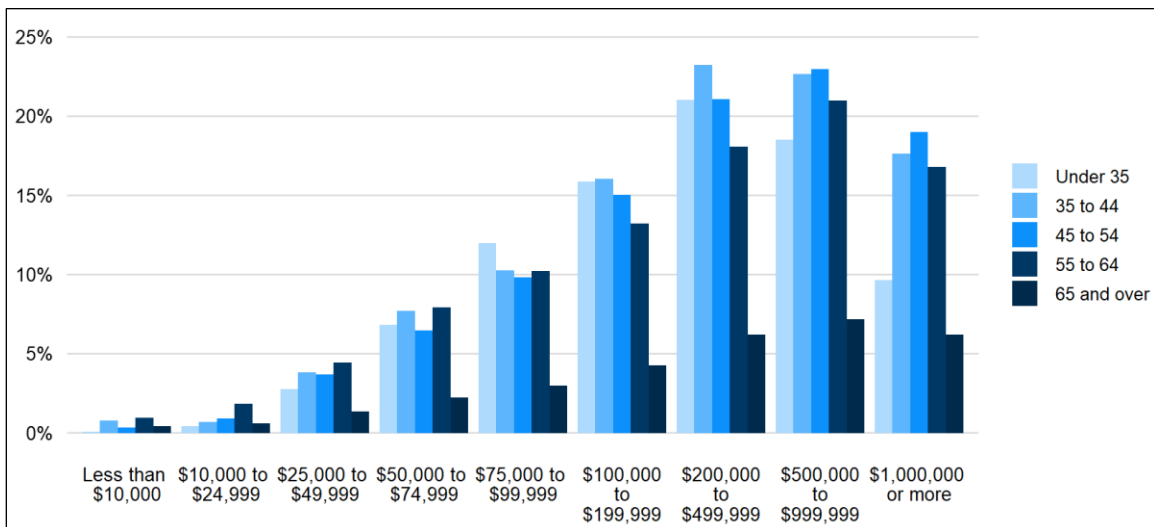
Figure A-9. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals for TY2017, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 25%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

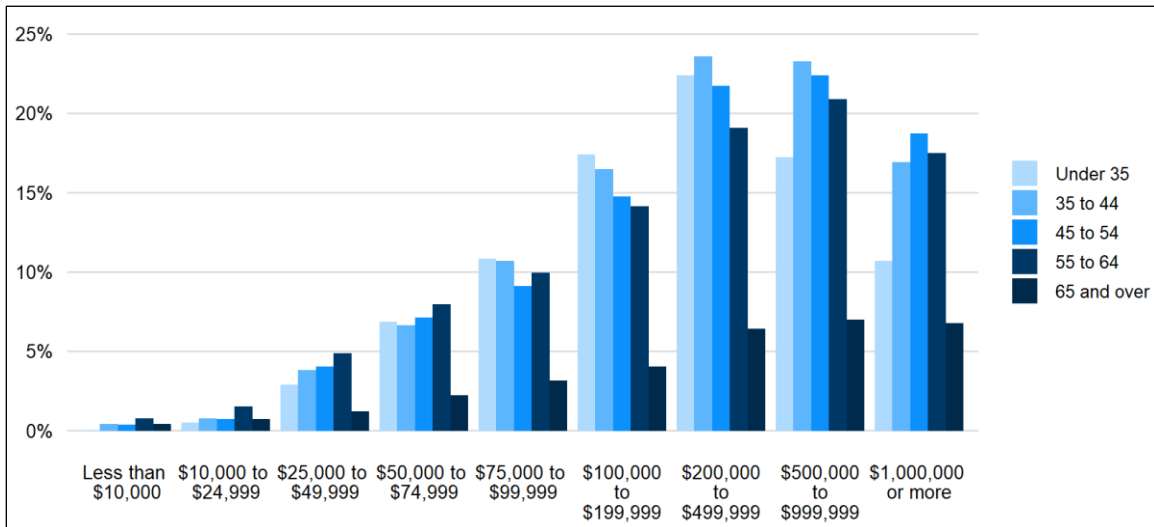
Figure A-10. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals for TY2018, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 25%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

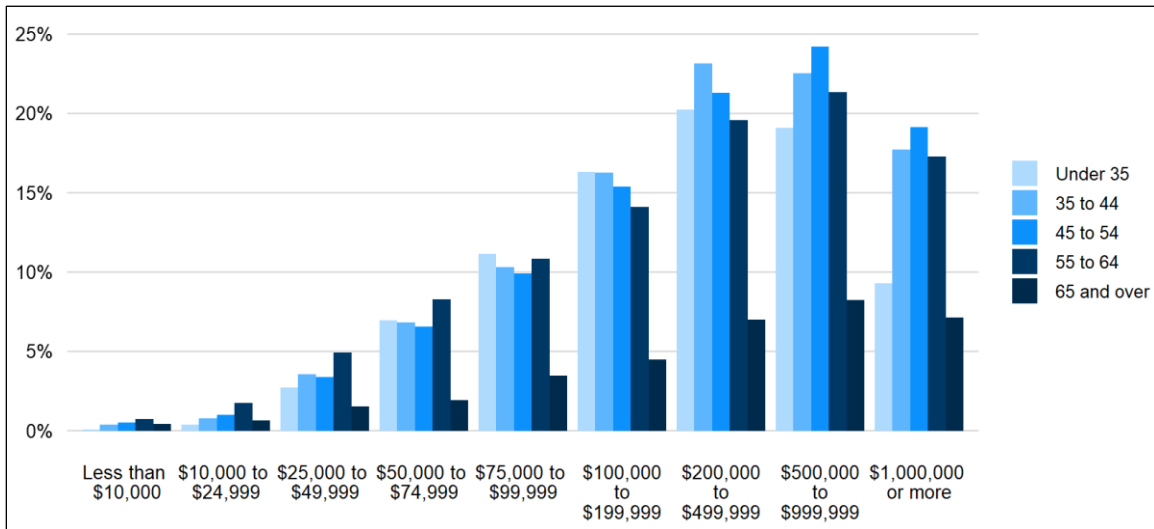
Figure A-1 I. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals for TY2019, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 25%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

Figure A-12. Percentage of Tax Returns Reporting Non-rollover HSA Withdrawals for TY2020, by Adjusted Gross Income and Age



Source: CRS analysis of data provided by Internal Revenue Service (IRS), Statistics of Income (SOI) Division (provided May 2024) and IRS Publication 1304.

Notes: TY = tax year. HSA = health savings account. Y-Axis Maximum = 25%. Tax returns can represent more than one individual and therefore contributions to more than one HSA (e.g., spouses contributing to each of their own HSAs). Age for joint returns was based on the primary taxpayer’s age. *Employer contributions* include employer contributions and employee contributions made through a cafeteria plan. Counts of tax returns reporting non-rollover HSA withdrawals do not include tax returns of individuals who were HSA eligible but did not contribute to, or receive contributions for, an HSA.

Author Information

Ryan J. Rosso
Analyst in Health Care Financing

Alice Y. Choi
Research Assistant

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