



## Principal Health Savings Accounts

# Employers' Frequently Asked Questions

DEFINITION	
QUESTION	ANSWER
What is the concept of a health savings account (HSA)?	The underlying concept is that consumers will spend health care dollars more wisely if they are spending their own money. An HSA is tied to a qualified high deductible health plan (HDHP). The HDHP covers medical expenses after the deductible has been met. The HSA allows the individual to accumulate funds and pay for qualified medical expenses on a tax-free basis.
What are the key features of HSA?	Contributions can be made on a pre-tax basis; they accumulate tax free, and can be used on a tax-free basis to pay for qualified medical expenses. Money in HSAs can be carried forward from year to year, and are portable.
Can unused account balances be used in later years?	Yes. All amounts can be carried forward to future years and used to pay qualified medical expenses.

<p>What is a high deductible health plan (HDHP)?</p>	<p>A health benefit design that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. In 2006, for self-only coverage, an HDHP has an annual deductible of at least \$1,050 and annual out-of-pocket (deductibles, co-payments and other amounts, but not premiums) not exceeding \$5,250. For family coverage, an HDHP has an annual deductible of at least \$2,100 and annual out-of-pocket not exceeding \$10,500. These amounts are indexed for inflation. A design does not fail to qualify as an HDHP merely because it does not have a deductible (or has a small deductible) for preventive care (e.g., first dollar coverage for preventive care). However, except for preventive care, a design may not provide benefits for any year until the deductible for that year is met.</p>
<p>What is the maximum annual out-of-pocket expense (including deductible and copays)?</p>	<p>The maximum annual out-of-pocket expense cannot exceed \$5,250 for single coverage and \$10,500 for family coverage in 2006. These amounts change annually.</p>
<p>When is an HSA effective?</p>	<p>The HSA is in effect on the date the enrollment form is signed assuming the HDHP is in effect. HDHP coverage must be effective the first day of the month for the HSA to be established during the same month. If an HSA is established on any day other than the first day of the month, contributions to an HSA cannot be made until the first of the next month.</p>
<p>Can an individual establish an HSA if his/her spouse has a standard Flexible Savings Account (FSA) or Health Reimbursement Account (HRA)?</p>	<p>No. An individual cannot have an HSA if the spouse's FSA or HRA can pay for any medical expense of the individual before the HDHP deductible is met.</p>
<p>Does an individual's income affect the establishment of an HSA?</p>	<p>No. There are no income limits.</p>
<p>Is there a joint or co-owned HSA?</p>	<p>No. Each spouse may open his or her own HSA if each is considered an eligible individual. If a spouse is not eligible, he or she cannot open an HSA. Eligible spouses can divide the HSA contribution in any manner.</p>
<b>ELIGIBILITY</b>	
QUESTION	ANSWER
<p>Who is responsible for the maintaining the HDHP coverage??</p>	<p>The HSA owner is responsible for enrolling in and maintaining HDHP coverage.</p>

Who can have an HSA and who owns the account?	Anyone enrolled in an HDHP may qualify for an HSA. An individual must 1) be covered under an HDHP on the first day of the month, 2) not covered under any medical coverage that is not a qualified HDHP, 3) not enrolled for Medicare benefits, and 4) may not be claimed as a dependent on another person's tax return
Are any employees excluded from participation in an employer-sponsored HSA?	No, all U.S. citizens and resident aliens are eligible Eligibility for an HSA is not based on employment.
Is there a minimum or maximum age to establish an HSA?	No. The regulations do not define a minimum or maximum age to establish an HSA. However, once a person is enrolled in Medicare, contributions can no longer be made to the HSA.
Is an owner required to have earned income to participate in an HSA?	No.
Can separate accounts be established for dependent children?	No.
Once an individual receives Social Security benefits, can they contribute to an HSA?	No. At that point they are automatically enrolled in Medicare Part A and no further contributions can be made.
What permitted coverages may an HSA owner have in addition to an HDHP?	Permitted coverages include accident, disability, dental care, vision care and long-term care coverages, employee assistance programs, disease management programs, wellness programs, prescription drug discount cards, and Veterans Administration benefits if not received in the last 3 months.
What types of FSAs and HRAs can employees engage in while participating in HSAs?	1) Limited purpose FSAs that restrict reimbursements to certain permitted benefits such as vision, dental, or preventive care benefits. 2) Limited purpose HRAs that restrict reimbursements to certain permitted benefits such as vision, dental, or preventive care benefits. 3) Post-deductible FSAs that only provide reimbursement after the minimum annual deductible has been satisfied. 4) Post-deductible HRAs that only provide reimbursement after the minimum annual deductible has been satisfied.
Can an employer offer a limited purpose FSA to the individuals electing the HDHP/HSA and a standard FSA to those electing the conventional benefit option?	Yes. The employer can establish two different FSAs.
What special rules apply to preventive care?	Preventive care can be covered at no deductible (or a small deductible) and the benefit design still be classified a qualified HDHP.

Can prescription drugs taken to prevent the onset of a condition be reimbursed as preventive care through an HSA?	Yes. Drugs or medications are considered preventive care when taken by a person who has developed risk factors for a disease that has not yet manifested itself or not yet become clinically apparent (i.e., asymptomatic), or to prevent the reoccurrence of a disease from which a person has recovered. In addition, drugs or medications used as part of a preventive care procedure are also preventive care. However, the preventive care safe harbor does not include any service or benefit intended to treat an existing illness, injury, or condition, including drugs or medications used to treat an existing illness, injury or condition.
Can the HSA account holder be covered by any other health insurance in addition to the HDHP?	No. HSA account holders cannot be covered by any other health insurance
Is the account holder's interest in a health savings account non-forfeitable?	Yes.
Can state law restrict the formation of HSAs?	Yes. Mandated benefits in certain states may disqualify a high deductible health plan.
Do federal or state laws govern the establishment of HSAs or HDHPs?	HSAs were enabled under the Medicare Modernization Act and are regulated under the Internal Revenue Code. Health plans, including high deductible health plans, are regulated by both federal and state legislation.
Can an HSA be established before HDHP coverage begins?	No. An HSA cannot be established until HDHP coverage begins. However, completing the necessary steps before coverage begins ensures that the HSA will be available as early as possible.
If an employer sponsors a standard health plan and an HDHP, does that impact the employee's ability to enroll in an HSA?	No. The actual health coverage selected by the employee is controlling; not the employer's offering.
<b>CONTRIBUTIONS</b>	
QUESTION	ANSWER
When and how can HSAs be funded?	1) The maximum monthly contribution is 1/12 of the annual maximum funding level. 2) It must be funded prior to the individual's tax filing due date. 3) It must be funded in cash. 4) It may be funded at any time during the year as long as the HDHP is in effect.
Do HSA contributions have to be made in equal amounts each month?	No, an individual can contribute in a lump sum or in any desired amounts or frequency as long as they are covered under a qualified HDHP.
Do HSAs require a minimum contribution to open an account?	1) Checking accounts with Principal Bank - No minimum balance requirement. 2) Certificates of deposit (CDs) with Principal Bank - \$1,000. 3) Mutual funds - \$1,000 per fund.

<p>What is the maximum HSA contribution?</p>	<p>The maximum yearly HSA contribution is the lesser of the HDHP deductible or \$2,700 for single coverage. The maximum HSA contribution is the lesser of the HDHP deductible or \$5,450 for family coverage or the per person deductible multiplied by the number of covered family members if the deductible is embedded. The contribution may never exceed the HDHP deductible.</p>
<p>What are the total contributions based on?</p>	<p>Contributions are based upon the number of months that the accountholder is covered by an HDHP and the maximum contribution allowed by law.</p>
<p>What if a contribution in excess of the maximum is made?</p>	<p>Excess contributions and associated earnings may be withdrawn before April 15th of the following year without penalty. Excess amounts not withdrawn are included in gross income subject to income tax and a 6% excise tax.</p>
<p>Who is responsible for monitoring contribution activity to assure that limits are not exceeded?</p>	<p>The HSA account holder is responsible for monitoring contribution activity.</p>
<p>How can an excess contribution be remedied in future years?</p>	<p>Excess contributions and earnings can be remedied by decreasing the amount of the contribution in the subsequent year. Failure to do this will subject the owner to a continuing 6% excise tax and income tax on the excess contribution and earnings associated with those contributions.</p>
<p>What are HSA catch-up contributions?</p>	<p>For individuals (and their spouses covered under the HDHP) between ages 55 and 65, the contribution limit is increased by \$700 in calendar year 2006. This amount will increase in \$100 increments annually, until it reaches \$1,000 in calendar year 2009. The catch-up contribution is also computed on a monthly basis.</p>
<p>What is the deadline for funding an HSA?</p>	<p>HSAs can be opened and funded for a given tax year by the individual's tax filing deadline (usually April 15th following the end of the tax year).</p>
<p>Can a person open an HSA between January 1st and April 15th and count contributions toward the prior year?</p>	<p>Yes, if the HDHP was effective in the prior year. Example: An individual elects an HDHP as of December 1, 2005 and opens an HSA on February 1, 2006. He is allowed to make a prorated contribution for 2005 based on when the HDHP was effective. If the HDHP was effective on a date other than the first of the month, the person is not eligible to make HSA contributions until the first of the following month.</p>
<p>Who can contribute to an HSA and take a tax deduction?</p>	<p>Anyone can contribute to an individual's HSA. For other than employer contributions, the tax deduction would benefit the account owner and not the contributor.</p>

<p>How are employer contributions treated?</p>	<p>Employer contributions are tax-deductible for the company and do not require income tax withholding, and are not subject to FICA or FUTA or the Railroad Retirement Act.</p>
<p>How are employer contributions made?</p>	<p>Employer contributions are made on a pre-tax basis and excluded from employees' income. If contributions are made through a Section 125 plan, they are not subject to the 'comparability' rules but are subject to Section 125 non-discrimination rules.</p>
<p>Can individuals make HSA contributions through a Section 125 plan?</p>	<p>Yes. Employee contributions may be made on a pre-tax basis through employer-sponsored Section 125 plans. This permits matching, additional contributions for participating in wellness and disease management, and catch-up contributions as long as non-discrimination rules are followed.</p>
<p>If not through a Section 125 plan on a pre-tax basis, how can employees contribute?</p>	<p>Employees can make contributions on an after-tax basis and take an "above the line" deduction (reduces Federal taxable income dollar for dollar), in effect, making them tax-free; itemization of deductions is not required to take an "above the line" deduction.</p>
<p>If a cafeteria plan is used, how often can the employee change their HSA contribution amount?</p>	<p>Contributions could be changed on a monthly basis. Eligibility requirements and contribution limits for HSAs are determined monthly, so an employee who makes HSA contributions through a cafeteria plan may start, stop, increase or decrease the election at any time as long as the change is effective prospectively (i.e., after the request for the change is received). If an employer places additional restrictions on the election of HSA contributions under a cafeteria plan, the same restrictions must apply to all employees.</p>
<p>Are there special contribution rules if family coverage is applicable?</p>	<p>In 2006, eligible individuals with family coverage under an HDHP may make a maximum monthly contribution of 1/12 of the lesser of 100% of the HDHP annual deductible (minimum of \$2,100) but not more than \$5,450. In addition to the maximum contribution amount, catch-up contributions may be made by, or on behalf of, individuals between age 55 and 65.</p>
<p>Does the comparability requirement apply to contributions made through a cafeteria/Section 125 plan?</p>	<p>No, but contributions made through a Section 125 plan are subject to the Section 125 non-discrimination rules.</p>

<p>What contributions are not subject to the comparability rules?</p>	<p>Comparability rules do not apply to contributions made through a cafeteria plan. These contributions, including “matching contributions”, are subject to the Section 125 nondiscrimination rules (eligibility rules, contributions and benefits tests and key employee concentration tests).</p>
<p>If an employer contributes to the HSA, is it obligated to contribute to employees with HDHP coverage provided outside the employer to maintain comparability?</p>	<p>No. An employer is not required to make comparable contributions to HSAs of employees who are not covered under the HDHP provided by the employer. However, an employer that contributes to the HSA of an eligible individual with HDHP coverage not offered by the employer, must make comparable contributions to all eligible individuals whether or not covered under an HDHP of the employer.</p>
<p>What is the Principal Bank mailing address for contributions?</p>	<p>The address is: PO Box 9329, Des Moines, IA 50306-9329</p>
<p>Can self-employed individuals contribute to health savings accounts?</p>	<p>Yes, but self-employed individuals can only take an 'above-the-line' tax deduction for HSA contributions. They cannot make pre-tax contributions and cannot receive pre-tax employer contributions on their behalf.</p>
<p>Can a partnership contribute to a partner's HSA?</p>	<p>Yes. Contributions by a partnership to a bona fide partner's HSA are not contributions by an employer. The contributions are treated as a distribution of money and are not included in the partner's gross income. Contributions by a partnership to a partner's HSA for services rendered are treated as guaranteed payments that are deductible by the partnership and includible in the partner's gross income. In both situations, the partner can deduct the contribution made to the partner's HSA.</p>
<p>Can an S-corporation contribute to an HSA?</p>	<p>Yes. Contributions by an S corporation to a 2% shareholder-employee's HSA for services rendered are treated as guaranteed payments and are deductible by the S corporation and included in the shareholder-employees gross income. The shareholder-employee can deduct the contribution made to the shareholder-employee's HSA.</p>
<p>If an individual is age 65, can they still contribute to an HSA?</p>	<p>An individual who is eligible for Medicare, but not enrolled in Medicare may contribute to an HSA. An individual ceases to be an eligible individual starting with the month he or she is entitled to (enrolled for) benefits under Medicare.</p>
<p>If an individual and/or spouse is enrolled in Medicare Part A or B, can they make a catch up contribution?</p>	<p>No. Once an individual is enrolled in Medicare Part A or B they cannot make any contributions.</p>

Are Social Security or Medicare withholding taxes assessed on employer contributions to the HSA?	No. Employer contributions are not subject to withholding from wages for income tax or subject to the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), or the Railroad Retirement Tax Act. Contributions to an employee's HSA through a cafeteria plan are treated as employer contributions.
If an individual is receiving VA benefits, can they contribute to an HSA?	No. An individual is not eligible to make HSA contributions for any month, if the individual has received medical benefits from the VA at any time during the previous three months.
If an individual elects COBRA, is the employer required to continue the HSA contributions if contributions are being made for active individuals?	No. COBRA does not apply to HSAs.
Does the employer own any part of the employees' HSAs? Can it control how employees spend the money in them?	No. Employers do not own HSAs nor can they control how the funds are used. Once the employer makes a contribution the employee owns the contribution amount.
What is an HSA rollover?	Individuals may roll over one distribution per year from an HSA to another HSA. Funds must be rolled to the HSA within 60 days following distribution or a 10% penalty will be assessed and the funds become taxable.
Are rollover contributions permitted from HSAs, IRAs, HRAs, MSAs or FSAs?	Rollover contributions from Archer MSAs and other HSAs are permitted. These trustee-to-trustee transfers are allowed, but trustees or custodians are not required to accept them. Rollovers are not subject to the annual contribution limits. Rollovers from an IRA, from a health reimbursement arrangement (HRA), or from a health flexible spending arrangement (FSA) to an HSA are not permitted.
Can retirement or pension funds be rolled over or contributed to an HSA?	No. However, a resulting pension distribution subjected to taxes and penalties may be contributed to an HSA.

### INVESTMENTS

QUESTION	ANSWER
How can the funds in an HSA be invested?	HSAs may be invested in products approved for IRAs including: bank accounts, annuities, CDs, stocks, bonds, and mutual funds.
What investments are not approved for use with an HSA?	HSAs may not be invested in life insurance contracts or collectibles.
What prohibited transaction rules apply to HSAs?	Individual may not sell, exchange, or lease property, borrow or lend money, furnish goods, services or facilities, or pledge HSA assets.

Can individual borrow against or pledge health savings account funds?	No. Borrowing against or pledging health savings account funds is a prohibited transaction under IRS regulations.
Can HSA assets be co-mingled?	No. HSA assets cannot be co-mingled except in common trust fund or common investment funds.
<b>DISTRIBUTIONS</b>	
QUESTION	ANSWER
What is a 'qualified medical expense'?	Qualified medical expenses are defined in section 213(d) of the Internal Revenue Code, but only to the extent the expenses are not covered by insurance or otherwise. Expenses must be incurred after the HSA has been established in order to be reimbursed from the HSA.
Is there a list of 'qualified medical expenses'?	Yes. Section 213(d) of the Internal Revenue Code defines qualified medical expenses.
Are over-the-counter drugs considered 'qualified medical expenses'?	Yes.
Who is responsible for determining that a medical expense is qualified?	The HSA account holder is responsible for determining the qualified status of medical expenses reimbursed from an HSA.
What type of qualified medical expense records must be kept?	Records must show that the distribution was to pay or reimburse qualified medical expenses, the qualified medical expense had not been previously paid or reimbursed from another source, and the medical expenses had not been taken as an itemized deduction in any year.
Can individuals use their HSA funds to pay premiums for their HDHP?	No. Health insurance premiums are not considered qualified medical expenses except for the following: qualified long-term care insurance, COBRA health care continuation coverage, and health care coverage while an individual is receiving unemployment compensation. If age 65 or older, insurance premiums are qualified medical expenses for HSAs.
Can HSA funds be used for payment of Medicare premiums?	Yes. HSA premiums can be used to pay Medicare Part A & B, Medicare Advantage (HMO), or retiree contributions to employer-sponsored coverage
Are Medigap premiums qualified medical expenses?	No.
Can distributions be made from an HSA for payment of long-term care insurance premiums?	Yes. The premiums for long-term care coverage that can be treated as qualified medical expenses are subject to limits based on age and are adjusted annually. See limit on long-term care premiums that can be deducted in the instructions for Schedule A (Form 1040).

Can distributions be made from an HSA for payment of long-term care expenses?	Yes. Amounts paid for qualified long term care services are qualified medical care expenses and can be reimbursed from an HSA.
Are there any penalties associated with distributions for 'qualified medical expenses'?	No. Distributions for qualified medical expenses are tax-free and are not subject to penalties.
Are there any penalties associated with distributions for non-qualified medical expenses?	Yes. Distributions for non-qualified medical expenses to participants under age 65 are subject to taxation plus an additional 10% penalty. Non-qualified distributions to individuals who are age 65 or older are subject to taxation only.
Is there any time that an individual can withdraw funds from their HSA for things other than qualified medical expenses and not be assessed a penalty by the IRS?	Yes. At age 65, or upon disability, a person may make withdrawals from their HSA for any reason without a tax penalty; however, the withdrawals will be taxed as ordinary income.
What is the deadline for reimbursing expenses from a health savings account?	An account holder may defer distributions for qualified medical expenses incurred in the current year to later taxable years as long as the expenses were incurred after the HSA was established. Thus, there is no time limit on when the distribution must occur. However, to be excludable from gross income, the account owner must keep records to later show that the distributions were for qualified medical expenses, that the qualified medical expenses had not been previously paid or reimbursed from another source and that the medical expenses had not been taken as an itemized deduction in any prior taxable year.
If medical expenses that the account holder thought were qualified, were in fact not qualified, is there a remedy?	If there is clear evidence that a distribution was made due to reasonable mistake of fact, the distribution may be repaid no later than April 15 following the first year the account holder knew or should have known the distribution was a mistake. Under these circumstances, the distribution is not included in gross income or subject to the 10 percent additional tax, and the repayment is not subject to the excise tax on excess contributions.
On whose behalf may qualified medical expenses be taken?	Qualified medical expense distributions may be taken on behalf of the account holder, his/her spouse, and his/her eligible dependents.
Are HSAs tied to a job or position?	No. Job changes, changes in medical coverage, unemployment, a move to another state, changes in marital status, etc. do not affect the status of the HSA. However, in order to continue to make contributions to the HSA, the account holder must be covered under a qualified HDHP.
What happens to HSA balances if HDHP coverage is lost?	The employee can still use the funds in the HSA to reimburse qualified medical expenses without penalty. The employee cannot make new contributions to the account.

What happens to the HSA upon death of the account holder?	If the spouse is the designated beneficiary, the spouse becomes the account holder and can use it as his/her HSA. If the designated beneficiary is someone other than the spouse, the account stops being an HSA and the fair market value of the HSA becomes taxable income to the beneficiary in the year in which the death occurs.
What are the rules for distributions to non-spouse beneficiaries?	If the designated beneficiary is someone other than the spouse, the account stops being an HSA and the fair market value of the HSA becomes taxable income to the beneficiary in the year in which the death occurs.
Can the HSA account holder take the HSA with him if changing jobs?	Yes. HSAs are portable and employee's can still use the funds to reimburse qualified medical expenses, without penalty. But in order to continue to contribute to the HSA, the account holder must have coverage under a qualified HDHP.
Can qualified medical expenses be reimbursed before HSA establishment?	No. Expenses incurred prior to the date the HSA was established cannot be reimbursed from the HSA.
If the HSA is partially or fully funded at the beginning of the calendar year, can the individual withdraw the entire balance?	Yes. The entire available balance could be withdrawn from the HSA.
<b>ACCOUNT ADMINISTRATION</b>	
QUESTION	ANSWER
Who is responsible for health saving account (HSA) administration?	Principal Life Insurance Company is the custodian for the HSA, with support provided by Principal Bank and Princor Financial Services Corporation for mutual fund administration.
What 'triple tax savings' do HSAs offer?	The "triple tax savings" comes from: tax savings on contributions, tax-free investment earnings, and tax-free distributions for qualified medical expense. There are currently 5 states that do not provide an exemption for HSAs: Alabama, California, Maine, Massachusetts and Wisconsin.
Can the HSA be a joint account?	No. HSAs are individual accounts with only one account owner.
Where can the interest rates be found for HSAs?	HSA rate information for Principal Bank products is available online at: <a href="http://principalbank.com">principalbank.com</a> . Under 'Tools & Services' on the left navigation, select 'Rates and Values', then 'Health Savings Accounts'.
What is the effective date that an individual can use for the reimbursement of qualified medical expenses?	The effective date is the enrollment date of the HSA; this is defined as the date the individual signed the Principal HSA Enrollment/Application form. In addition, the individual must also have a high deductible health plan (HDHP) that is effective on or by the first of the same month or a previous month.

<p>If an HDHP is effective on the 15th of the month and the HSA is opened on the 1st of the following month, are medical charges incurred between the 15th and 1st eligible under the HSA?</p>	<p>No. In order to contribute to the HSA, the individual must be covered by the HDHP as of the first day of the month in which s/he becomes eligible. Medical expenses that occurred during the 15-day window (15th of the month to the first of the following month) are not considered qualifying medical expenses and cannot be withdrawn tax-free from the HSA.</p>
<p>Will claims submitted to the HDHP insurance provider be automatically reimbursed from the HSA?</p>	<p>No. The HSA funds can only be accessed by the account holder or authorized signer.</p>
<p>Who should individuals call if they have questions about HSAs and claim processing?</p>	<p>The account holder controls how the funds are used; therefore, there is no "claim processing" within the HSA account. For claim processing questions on the qualified HDHP, the individual should contact the carrier that underwrites their HDHP coverage.</p>
<p>Does Principal Life offer a limited purpose flexible spending account (FSA) for use with an HSA?</p>	<p>Yes. A limited purpose FSA can cover dental, vision, or preventive care as allowed by the IRS. Employers interested in an FSA product should contact a local Principal Life sales representative.</p>
<p>Who should an individual contact to open an HSA mutual fund account, if the broker/agent is not a registered representative?</p>	<p>Individuals should call Principal Bank at (800) 672-3343 to request information about purchasing an HSA mutual fund product.</p>
<p>What is Direct Connect?</p>	<p>Direct Connect is a proprietary Web-based application that allows employers to report and fund HSA contributions electronically.</p>
<p>Will the HSA enrollment forms for bank accounts be processed if the employer does not submit the Employer Enrollment form and/or the set-up fee?</p>	<p>No. Principal Bank will not process the enrollment forms without the Direct Connect Employer Enrollment form and the appropriate set-up fees. The employer will pay the \$25 set up fee through Direct Connect electronically and will not have to pay the fee at the time the employees' enroll in HSAs.</p>
<p>Can Principal Bank accept a fax of the enrollment form?</p>	<p>No. Principal Bank must receive the original enrollment form.</p>
<p>In addition to the HSA Enrollment form, does the non-resident alien need to complete additional forms?</p>	<p>We are unable to open an HSA account for non-resident aliens.</p>
<p>How does an individual open an HSA with the Principal Financial Group through their employer?</p>	<p>The employer provides the employee with brochure number GP 51255-3 and an HSA Enrollment/Application Form. The employee keeps the Custodial Agreement, completes the enrollment form and returns the signed form to their employer.</p>

<p>How does the employer open new HSAs?</p>	<p>The employer: 1) Completes the Direct Connect Employer Enrollment form and indicates whether set-up fees are paid by the employer or employee 2) Collects all employee enrollment/application forms and set-up fees, if applicable 3) Places all enrollment/application forms (employer and employee) and payment, if applicable in envelope and forwards to Principal Financial Group.</p>
<p>Where do individuals and employers send new HSA Enrollment forms or additional enrollment forms?</p>	<p>For new stand-alone HSAs, mail forms to Principal Financial Group, HSA Administration, 711 High Street, Des Moines, IA 50392-0506. Employers with new Principal Life HDHP and HSA will submit their forms with their new case materials.</p>
<p>If an individual or employer wants to open a stand-alone HSA, is there a different process?</p>	<p>Yes. The individual may access the HSA forms at principabank.com ('Products' - Health Savings Accounts') or by calling (800) 826-2364 to request an Enrollment/Application form.</p>
<p>What is included in the Principal HSA welcome kit?</p>	<p>The checking account welcome kit includes: 1) Welcome letter, 2) Principal Bank Terms and Conditions, 3) Fee schedule, 4) Authorized Agent form, 5) Deposit slips, and 6) Business reply envelopes. The CD welcome kit includes: 1) Welcome letter, 2) Principal Bank Terms and Conditions, 3) Fee schedule, 4) Authorized Agent form, 5) Business reply envelope and 6) CD receipt. Mutual Fund customers receive; 1) Welcome letter and 2) Confirmation of funds received.</p>
<p>Does the employer receive a welcome kit?</p>	<p>No. Employers will receive a phone call from the Group Call Center to explain Direct Connect functionality.</p>
<p>When are the HSA debit card and checks sent to the individuals?</p>	<p>Checks and/or debit card should arrive approximately 10 days after the enrollment form arrives at Principal Bank and the account is opened.</p>
<p>Can an Authorized Signer's name be printed on the HSA checks?</p>	<p>Yes.</p>
<p>Will new checks be ordered when the Authorized Signer form is received after the account is opened?</p>	<p>Yes, if the individual requests new checks on the Authorized Signer form. The fee for each additional set of 25 checks is \$5.81. This fee is billed to the checking account.</p>
<p>How much does it cost to receive additional debit cards for the checking account?</p>	<p>There is no cost for an additional card, but the maximum per account is two. Each card will have a unique account number printed on the card. There is no renewal fee on the debit card</p>
<p>Is there a fee for a lost debit card?</p>	<p>Yes. The card replacement fee is \$10 (plus tax). If the card must be rush delivered, there is an additional overnight delivery fee.</p>

If the debit card is stolen and unauthorized charges occur, what is the owner's responsibility or liability?	Per Visa requirements, as long as the card is reported with 24 hours of loss, the owner's liability is zero. If the report is delayed, there is a standard liability up to \$50. Liability could be greater than \$50 if the card is misused by the cardholder.
Is there a renewal fee on the debit card?	No.
Can an individual order additional deposit slips?	Yes. Deposit slips are provided free of charge. To request, call Principal Bank at (800) 826-2364.
How quickly must a new HSA checking account with Principal Bank be funded?	The first contribution must be made within 45 days of the account opening at Principal Bank.
How many free withdrawals or distributions are allowed on the checking account?	Principal Bank allows six transactions per monthly cycle. After six, a \$10 (plus tax) per withdrawal fee is charged to the account.
How do individuals submit their contributions or payroll deductions to Principal Bank?	The individual may use: 1) Periodic contributions: Mail the contribution to Principal Bank with an HSA Bank deposit slip; deposit slips are included in the welcome kit. 2) Payroll deduction: Made by the employer to the HSA at Principal Bank. 3) Direct Connect: Electronic contributions initiated and managed by the employer using payroll deduction.
What fees apply to Principal Bank HSA products?	HSA fee information is available in the schedule of fees provided in the welcome kit and online at: <a href="http://principalbank.com">principalbank.com</a> . In the left navigation, select 'Products', then 'Health Savings Accounts'.
Why do the monthly service fee and other bank charges include sales tax?	The State of Iowa requires sales tax be charged on certain services provided by banks.
Can the Principal Bank set-up fee or HSA monthly fees be waived?	No.
Is there a cap on the \$25 per individual enrollment fee for Principal Bank HSAs?	No. It is \$25 per new HSA with Principal Bank.
Who pays the Principal Bank one-time set up fee?	The individual or their employer pays the fee.
Does Principal Bank have debit card transaction fees?	No.
Does Principal Bank have an inactive or dormant account fee?	No.
How are Principal Bank's monthly bank account fees billed?	The monthly fee is debited directly from the checking account each month.
Can the employer or employee pay the monthly maintenance fee separately from the contribution, in effect allowing a total contribution above the stated maximum?	Yes. The fees must be submitted separately to Principal Bank and identified as a monthly maintenance fee deposit, to allow for appropriate processing and reporting.

Can the employer or employee pay the monthly maintenance fee in an annual lump sum?	Yes. The fees must be submitted separately to Principal Bank and identified as monthly maintenance fee deposit, to allow for appropriate processing and reporting.
What is the fee when an individual overdraws their HSA checking account?	Principal Bank charges a \$30 fee that will be charged to the HSA checking account and the check will be returned non-paid. The fee is displayed as Non-Sufficient Fund (NSF) fee.
If an HSA is overdrawn due to monthly maintenance fees and the individual requests the account be closed, how is the account handled?	If the account is overdrawn solely because of the monthly service fees, Principal Bank will refund fees and close the account. This will not be considered a charged-off account.
What if the individual's account is overdrawn due to an excessive transaction fee?	Principal Bank does not waive this fee. The individual must send funds to bring the account balance to positive. The individual is allowed 30 days to bring the account current before it is closed.
What happens when an HSA checking account has a zero balance?	Principal Bank will continue to charge the monthly fee and the account will be overdrawn until a deposit is made.
How does Principal Bank handle an overdrawn HSA checking account?	The individual receives an automated overdraft notice. If the account remains overdrawn at month end, the individual will be called to discuss the account status. Accounts overdrawn for more than 30 days may be closed and charged-off.
Are the Principal Bank accounts insured?	Yes. Principal Bank HSAs are FDIC insured up to \$100,000 per depositor for CDs and checking accounts.
What is the impact to the individual if they close a CD or withdraw funds before the CD maturity date?	If the funds are withdrawn from a Principal Bank CD before the maturity date, the individual will incur an early withdrawal penalty.
Can an individual borrow funds from the HSA and use future contributions as repayment?	No.
How often does The Principal produce account statements?	HSA checking account statements are produced monthly. CDs do not have statements. Mutual fund statements are created quarterly.
Can individuals access HSA information through The Principal Interactive Voice Response (IVR) or Internet?	Yes. Individuals can access account information for HSAs through the Internet. Currently, only mutual fund account information can be accessed through the IVR.

Can the individual close their HSA over the phone?	1) Checking accounts and CD's with Principal Bank - Yes with appropriate authentication. 2) Princor Mutual Funds - No, redemptions cannot be requested over the phone.
Is there a fee to close the HSA?	1) Checking accounts with Principal Bank - No. 2) CDs with Principal Bank - Yes, early withdrawal penalties apply. 3) Princor Mutual Funds - Yes, 1% CSDS (contingent deferred sales charge) will be applied on accounts that are closed within the first 18 months.
Will a checking account with Principal Bank automatically close due to inactivity?	No. Since there is no minimum balance requirement, checking accounts do not close automatically. However, if the account has a negative balance due to monthly fee charges, the account will close after 60 days of continuous overdraft status.
Can the individual close the checking account with Principal Bank and re-open it later?	No. An HSA that has been closed cannot be re-opened. The individual would open a new HSA by filling out and submitting a new enrollment form and paying the appropriate setup fee.
What is comparability?	Employers who make HSA contributions must make comparable contributions on behalf of all eligible employees with comparable coverage during the same period. They must be either the same amount or same percentage of the HDHP deductible. Part-time employees (fewer than 30 hours per week) are considered separately. The comparability rule does not apply to rollovers from another HSA or Archer MSA, or to contributions made through a cafeteria plan. Contributions made through a cafeteria plan (Section 125 plan) are subject to Section 125 discrimination rules. If employer contributions do not satisfy the rule during a period, the employer is subject to an excise tax equal to 35% of the aggregate amount contributed by the employer to HSAs for that period. An employer can discriminate according to part-time and full-time employment status.
Under what conditions are employer-matching contributions deemed comparable?	If an employer is making matching contributions, then all employees must contribute the same amount to their HSA in order for the employer contribution to pass the comparability test. Employer contributions cannot be conditioned on an employee's participation in health assessments, disease management or wellness programs unless all comparable participating employees participate in such programs, and cannot be conditioned upon employee age or service or whether the employee is eligible to make catch-up contributions.
When must employers contribute so that they would be deemed comparable?	An employer may make comparable contributions on a pay-as-you-go, look-back, or pre-funded basis as long as that basis is used for all comparable participating employees.

<p>Is an employer who contributes on behalf of all employees with self-only coverage required to contribute to all employees with family coverage?</p>	<p>The employer is not required to contribute to the HSAs or to contribute the same percentage of the family HDHP deductible as the amount contributed with respect to self-only HDHP coverage. The comparability rule is satisfied if contributions are the same for all eligible employees with family HDHP coverage and the same amount for all eligible employees with self-only HDHP.</p>
<b>TAX REPORTING</b>	
QUESTION	ANSWER
<p>What tax forms are provided to account holders?</p>	<p>Form 5498-SA shows HSA contributions and is provided by the trustee by May 31st of the year following contributions. Form 1099-SA shows distributions and is provided by January 31st of the year following distributions. Employer contributions will also be shown in box 12 of Form W-2, Wage and Tax Statement, with Code W.</p>
<p>What tax forms are HSA account holders required to complete?</p>	<p>All HSA contributions must be reported on Form 8889 and filed with Form 1040. Form 8889 must be filed with Form 1040 if the account holder (or their spouse, if married filing a joint return) had any activity in the HSA during the year. Form 8889 must be filed even if the only contributions to the HSA are made by the employer or the spouse's employer. Distributions should also be reported on Form 8889.</p>
<p>Can both the “above-the-line” deduction for an HSA and the itemized deduction for medical expenses be claimed?</p>	<p>Contributions made to an HSA are deductible by the eligible individual in determining adjusted gross income (i.e., “above-the- line”). The contributions are deductible whether or not deductions are itemized. However, one cannot also deduct the contributions as medical expense deductions under section 213.</p>
<p>Can a tax deduction be taken for the HDHP premium?</p>	<p>Generally, insurance premiums cannot be treated as qualified medical expenses for HSAs. However, premiums for long-term care coverage, health care coverage while receiving unemployment benefits, or health care continuation coverage required under any federal law may be treated as qualified medical expenses for HSAs. If age 65 or older, insurance premiums (other than premiums for a Medicare supplemental policy, such as Medigap) can be treated as qualified medical expenses for HSAs.</p>
<p>If individuals make HSA contributions through payroll deduction, is there a line item on the IRS W-2 form?</p>	<p>Yes, line 28 on Form 1040.</p>

**MISCELLANEOUS**

QUESTION	ANSWER
What happens when parents divorce and each parent covers a child under his/her health insurance? Example: Mother is covered through an HDHP and father has a traditional benefit. Can the mother contribute to the HSA?	Yes. The mother could contribute up to the family limit.
If an individual has family HDHP coverage and his/her spouse has self-only coverage, can either person contribute?	If either eligible spouse has family coverage both are treated as having family coverage. The contribution limit is divided equally between the spouses unless they agree on a different division.
If both eligible spouses have different family HDHP coverages, how is the contribution determined?	In this case, both spouses are treated as covered under the medical coverage with the lowest deductible. The contribution limit for the spouses is the lowest deductible amount, divided equally between the spouses unless they agree on a different division.
If an individual has self-only coverage under a qualified HDHP and the individual's spouse has non-HDHP coverage, can either contribute to an HSA?	The individual covered under the qualified HDHP is eligible to contribute to an HSA. The spouse is not eligible.
If an individual has either self- or family- HDHP coverage, but the individual's spouse has non-HDHP family coverage, can either contribute to an HSA?	Since both individual and spouse are covered under a non-HDHP neither is eligible to contribute to an HSA.
If an individual has family HDHP coverage and his/her spouse has self-coverage under a non-HDHP, can either person contribute to an HSA?	The individual is eligible to contribute to an HSA but the spouse is not.

**ADDITIONAL SOURCES OF INFORMATION**

<http://www.treas.gov/offices/public-affairs/hsa>

<http://www.irs.gov/publications/p969/index.html>



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