



COMPLIANCE SNAPSHOT

Employer Contributions to Health Savings Accounts (HSAs)

Employers who sponsor high deductible health plans (HDHPs) often contribute to employees' HSAs to help offset their out-of-pocket medical expenses. These contributions are generally excluded from employees' gross income and are not subject to income or employment tax withholding. However, an individual's HSA annual contribution limit is reduced by any employer contributions made to his or her HSA.

Employee Eligibility

Employees (and not their employers) have the primary responsibility for determining whether they are eligible for HSA contributions. Before making HSA contributions, [IRS Notice 2004-50](#) states that an employer is only responsible for determining whether the employee is covered under an HDHP or any low deductible health plan sponsored by the employer, such as a health flexible spending account (FSA), and the employee's age (for catch-up contributions). As a practical matter, employers should also monitor whether their contributions (including any employee pre-tax deferrals) exceed the HSA annual contribution limit.

Nondiscrimination Rules

An employer's HSA contributions are subject to nondiscrimination requirements designed to prevent employers from impermissibly favoring certain highly compensated or key employees. The specific nondiscrimination rules that apply depend on whether employees can make pre-tax HSA contributions through a Section 125 cafeteria plan.

- When employees can make HSA contributions through a cafeteria plan, the employer's contributions are subject to the [nondiscrimination tests](#) for Section 125 cafeteria plans.
- When an employer does not allow employees to make pre-tax HSA contributions through a cafeteria plan, the employer's contributions are subject to the tax code's [comparability rules](#).

Federal Tax Rules

- Generally, employer HSA contributions are excludable from employees' gross income and are not subject to income or employment tax withholding.
- All employer contributions, including those made by employees through a cafeteria plan, are reported on Form W-2, Box 12.
- Employer HSA contributions count toward an individual's annual HSA contribution limit.

IRS Resources

- [Publication 969](#), Health Savings Accounts and Other Tax-favored Health Plans
- [IRS Notice 2004-50](#), which includes Q&As on a variety of HSA topics
- IRS Revenue Procedures [2022-24](#) and [2023-33](#), which include the inflation-adjusted HSA contribution limits for 2023 and 2024

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