HSA

Frequently Asked Questions at Employment Termination

Please contact Paylocity at 800.631.3539/ batinfo@paylocity.com for more information

1. WHAT HAPPENS TO MY HSA IF I QUIT MY JOB OR OTHERWISE LEAVE MY EMPLOYER?
Your HSA is portable. This means that you can take your HSA with you when you leave and continue to use the funds you have accumulated. Funds left in your account continue to grow tax-free. If you are covered by a qualified HDHP you can even continue to make tax-free contributions to your HSA.
Distributions from your HSA used exclusively to pay for qualified expenses for you, your spouse, or dependents are excluded from your gross income. Your HSA funds can be used for qualified expenses even if you are not currently eligible to make contributions to your HSA.

Upon termination of employment your HSA account and debit card remain active. The debit card can continue to be used as needed until there is no longer a balance in your account.

Within 60 days of termination, Paylocity will move your account to an individual HSA of your own and your account will no longer be associated with the Archdiocese. You will then receive a new debit card. Please ensure your current address and personal email address are correct in the Paylocity system.

2. HOW AND WHEN CAN MONEY BE TAKEN OUT OF AN HSA?
Account holders may make a withdrawal (also known as a distribution) at any time. Distributions received for qualified medical expenses not covered by the high deductible health plan are distributed tax-free. Unless individuals are disabled, age 65 or older, or die during the year, they must pay income taxes plus an additional percentage (determined by the IRS) on any amount not used for qualified medical expenses. Individuals who are disabled or reach age 65 can receive non-medical distributions without penalty but must report the distribution as taxable income.

3. HOW ARE DISTRIBUTIONS FROM MY HSA TAXED AFTER I AM NO LONGER ELIGIBLE TO CONTRIBUTE?
If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified medical expenses continue to be free from federal taxes and state tax (for most states) and excluded from your gross income.

4. WHAT HAPPENS TO THE MONEY IN MY HSA AFTER I REACH AGE 65?
At age 65 and older, your funds continue to be available without federal taxes or state tax (for most states) for qualified medical expenses; for instance, you may use your HSA to pay certain insurance premiums, such as Medicare Parts A and B, Medicare HMO, or your share of retiree medical coverage offered by a former employer. Funds cannot be used tax-free to purchase Medigap or Medicare supplemental policies. If you use your funds for qualified medical expenses, the distributions from your account remain tax-free. If you use the monies for non-qualified expenses, the distribution becomes taxable, but exempt from the 20 percent penalty. With enrollment in Medicare, you are no longer eligible to contribute to your HSA. If you reach age 65 or become disabled, you may still contribute to your HSA if you have not enrolled in Medicare. Note that for some people, Medicare enrollment is automatic.

5. MAY I HAVE MORE THAN ONE HSA?
Yes, you may have more than one HSA and you may contribute to them all, as long as you are currently enrolled in an HDHP. However, this does not give you any additional tax advantages, as the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from your employer, family members, or any other person must be included in the total.