

Qualified HSA Funding Distribution (QHFD)

Learn how to make a one-time, penalty and tax-free rollover from your IRA to your HSA!

You are only eligible for this one-time rollover if you can contribute to an HSA plan.

- In other words, you need to be covered under a high-deductible health plan (HDHP).

How to determine if you are enrolled in an HSA-eligible health plan (2026 Figures):

- Your health plan's annual maximum out-of-pocket expense* cannot exceed \$8,500 for self-only coverage or \$17,000 for family coverage.
- Your health plan's minimum deductible must be at least \$1,700 for self-only coverage or \$3,400 for family coverage.

*Premiums do not count as out-of-pocket costs, but deductibles, copayments, and coinsurance generally do.

Other eligibility requirements:

- Generally, an HSA-qualified high-deductible health plan (HDHP) cannot provide benefits for non-preventive medical services before the deductible is met. Certain exceptions may apply under current law.
- You cannot be claimed as a dependent on another individual's tax return.
- You cannot contribute to an HSA while enrolled in Medicare, although you may continue to use existing HSA funds for qualified medical expenses.

Rollover information:

- Maximum amount of the rollover is limited to the amount of that year's contribution limit.
 - The 2026 annual contribution limit for an HSA account (employer + employee) is \$4,400 for a self-only coverage and \$8,750 for family coverage.
 - If you are age 55 or older, you are eligible for an additional \$1,000 in catch-up contributions.
- The rollover reduces the taxpayer's HSA available contribution for the given tax year.
 - For example, if an individual's annual HSA limit was \$4,400 and a rollover of \$4,400 was completed, the account owner cannot make any additional contributions to their HSA for that year (employer or employee).

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Ideal situation to maximize rollover amount:

- Account holder has family coverage and is age 55 or older (\$8,750 contribution limit for 2026).
- If the spouse of the HSA account holder is age 55 or older, they could also perform a \$1,000 rollover from their own IRA to their spouse's HSA (Maximum rollover of \$9,750).

Important details to note:

- You cannot rollover directly from a 401(k) account, but you can rollover 401(k) funds into an IRA, then roll these funds into your HSA. Individuals should review applicable IRS requirements before pursuing any rollover transaction.
- Generally, if the rollover is performed less than 12 months before joining Medicare, the enrollment will automatically disqualify HSA contributions, and the testing period will fail.
- The rollover must be a direct trustee-to-trustee transfer. Indirect transfers do not qualify.
- Distributions from an HSA used for qualified medical expenses are generally excluded from federal income tax, subject to applicable IRS requirements.
(A tax which would have to be paid if the funds stayed in the IRA and were withdrawn)

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Eligibility for a Qualified HSA Funding Distribution (QHFD) depends on an individual's specific circumstances and applicable IRS rules. Before taking any action, individuals should consult their tax advisor and other qualified professionals regarding their personal situation. IRS rules and contribution limits are subject to change.

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