

Qualified HSA Funding Distribution (QHFD)

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

You are generally eligible for this one-time rollover if you are eligible to contribute to an HSA. In other words, you generally need to be covered under an HSA-eligible 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.
- You generally cannot have other health coverage that disqualifies you from contributing to an HSA.

Rollover Information:

- The maximum QHFD is limited to your available HSA contribution limit for the year.
 - 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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Situation that may allow for the maximum rollover amount:

- Account holder is age 55 or older, has HDHP family coverage, is HSA-eligible, and has not yet made HSA contributions for the year.
- Up to \$9,750 in 2026 (\$8,750 annual contribution limit + \$1,000 catch-up contribution).

Important Details to Note:

- A QHFD must come directly from an eligible IRA, not from a 401(k). If eligible 401(k) assets are first rolled to an IRA, those IRA assets may subsequently be eligible for a QHFD, subject to applicable requirements.
- After completing a QHFD, you generally must remain HSA-eligible throughout the applicable testing period. Losing HSA eligibility during that period, including through Medicare enrollment, may result in the rollover amount becoming taxable and subject to an additional tax.
- 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 excluded from federal income tax, subject to applicable IRS requirements.

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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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