

## Health Savings Accounts Fact Sheet 1105

revenue.wi.gov

The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173) provided for the establishment of health savings accounts.

A health savings account (HSA) is a special account owned by an individual and used to pay for medical expenses. Health savings accounts are used in conjunction with a high deductible health plan.

Effective for taxable years beginning in 2011 and thereafter, Wisconsin follows the provisions of Public Law 108-173 relating to health savings accounts.

### Federal Tax Treatment of HSAs

- Eligible individuals may claim a deduction on their federal income tax returns for contributions to the HSA. If the contribution is made by an employer (or pre-tax through an employer's cafeteria plan), the amount of the contribution is excluded from the employee's wages. The maximum contribution for 2023 is \$3,850 for individuals and \$7,750 for families. A \$1,000 "catch-up" contribution is allowed for individuals age 55 and older.
- Excess contributions must be withdrawn by the due date, including extensions, of your return, or are subject to a six percent excise tax.
- Earnings on the account are generally not taxable to the individual.
- Distributions from the HSA are tax-free if used for qualified medical expenses. The medical expenses paid from the HSA distribution cannot be used as an itemized deduction on federal Schedule A.
- Distributions not used for qualified medical expenses must be included in income and are subject to a 20 percent additional tax. The 20 percent additional tax does not apply to distributions taken after the individual dies, becomes disabled, or turns age 65.
- Distributions from an Archer medical savings account may be rolled over to an HSA.

Further information on the federal treatment of HSAs can be found in federal [Publication 969](#), *Health Savings Accounts and Other Tax-Favored Health Plans*. This publication is available at the [IRS](#) website or by calling 1-800-829-3676.

### Wisconsin Treatment of HSAs

The federal provisions relating to HSAs generally apply for Wisconsin for 2011 and thereafter. The only difference is the imposition of penalties. The Wisconsin penalty for excess contributions that are not withdrawn and for distributions not used for qualified medical expenses is 33 percent of the federal penalty.

However, an adjustment may be made if all of the following are true:

- (1) You had a federal HSA prior to 2011
- (2) You were not allowed a deduction for Wisconsin for contributions to that account
- (3) You reported the earnings on the account as income
- (4) You had a balance in the account as of December 31, 2010

If this is the case, to the extent distributions during the year are attributable to the pre-2011 balance less distributions in the intervening years after 2010, all of the following apply:

- The portion of the distribution that was used to pay medical expenses can be used as an itemized deduction when computing the Wisconsin itemized deduction credit
- Any portion of the distribution not used for medical expenses that is taxable for federal purposes is not taxable for Wisconsin
- Any portion of the distribution that was not used for medical expenses that is subject to a federal penalty is not subject to a Wisconsin penalty

Individuals must file Wisconsin [Schedule I](#), *Adjustments to Convert 20XX Federal Adjusted Gross Income and Itemized Deductions to the Amounts Allowable for Wisconsin*, to adjust for the difference between the Wisconsin and federal tax treatment of distributions from the pre-2011 balance of an HSA. A worksheet is included in the Schedule I instructions to aid in determining the necessary adjustment.

### Additional Information or Comments

- Visit the department's [website](#) for electronic versions of all Wisconsin tax forms and publications
- Email your questions or comments to [DORIncome@wisconsin.gov](mailto:DORIncome@wisconsin.gov)
- Contact our Customer Service Bureau at (608) 266-2486
- Contact any [Department of Revenue office](#)

### Applicable Laws and Rules

This document provides statements or interpretations of the following laws and regulations enacted as of March 1, 2024: sec. 71.01(6)(L), Wis. Stats., and sec. 223, IRC

Laws enacted and in effect after this date, new administrative rules, and court decisions may change the interpretations in this document. Guidance issued prior to this date, that is contrary to the information in this document is superseded by this document, according to sec. 73.16(2)(a), Wis. Stats.

*Last updated March 1, 2024*