



4942

VITA/TCE Specialty Course – Health Savings Accounts (HSA)
Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)

2017 COURSE
AND TEST



Take your VITA/TCE training online at www.irs.gov (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.



How to Get Technical Updates?

Updates to the volunteer training materials will be contained in Publication 4491X, VITA/TCE Training Supplement. The most recent version can be downloaded at: <https://www.irs.gov/pub/irs-pdf/p4491x.pdf>

Volunteer Standards of Conduct

VITA/TCE Programs

The mission of the VITA/TCE return preparation programs is to assist eligible taxpayers in satisfying their tax responsibilities by providing **free** tax return preparation. To establish the greatest degree of public trust, volunteers are required to maintain the highest standards of ethical conduct and provide quality service.

All VITA/TCE volunteers (whether paid or unpaid workers) must complete the *Volunteer Standards of Conduct (VSC)* certification and agree to adhere to the VSC by signing Form 13615, *Volunteer Standards of Conduct Agreement*, prior to working at a VITA/TCE site. In addition, return preparers, quality reviewers, and VITA/TCE tax law instructors must certify in tax law prior to signing this form. This form is not valid until the site coordinator, sponsoring partner, instructor, or IRS contact confirms the volunteer's identity and signs and dates the form.

As a volunteer in the VITA/TCE Programs, you must:

1. Follow the Quality Site Requirements (QSR).
2. Not accept payment, solicit donations, or accept refund payments for federal or state tax return preparation.
3. Not solicit business from taxpayers you assist or use the knowledge you gained (their information) about them for any direct or indirect personal benefit for you or any other specific individual.
4. Not knowingly prepare false returns.
5. Not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA/TCE Programs.
6. Treat all taxpayers in a professional, courteous, and respectful manner.

Failure to comply with these standards could result in, but is not limited to, the following:

- Your removal from all VITA/TCE Programs;
- Inclusion in the IRS Volunteer Registry to bar future VITA/TCE activity indefinitely;
- Deactivation of your sponsoring partner's site VITA/TCE EFIN (electronic filing ID number);
- Removal of all IRS products, supplies, loaned equipment, and taxpayer information from your site;
- Termination of your sponsoring organization's partnership with the IRS;
- Termination of grant funds from the IRS to your sponsoring partner; and
- Referral of your conduct for potential TIGTA and criminal investigations.

TaxSlayer® is a copyrighted software program owned by Rhodes Computer Services. All screen shots that appear throughout the official Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) training materials are used with the permission of Rhodes Computer Services.

Confidentiality Statement:

All tax information you receive from taxpayers in your volunteer capacity is strictly confidential and should not, under any circumstances, be disclosed to unauthorized individuals.



Table of Contents

Health Savings Accounts (HSA) 3
Health Savings Accounts – Practice Scenarios 19
Health Savings Accounts – Test Questions 34
Health Savings Accounts – Retest Questions 45



Health Savings Accounts (HSA)



Introduction

Health Savings Accounts (HSA) is an optional course for volunteers with Basic or Advanced certification. Check with your Site Coordinator to determine if you should seek certification in this topic.

This course was developed to help volunteers assist taxpayers who have an HSA. HSAs allow individuals with high-deductible health insurance to use tax-deductible contributions to pay qualified medical expenses. The course covers:

- HSA eligibility, contributions, and distributions
- Reporting HSA activity on Form 8889, Health Savings Accounts
- Determining the HSA deduction on Form 1040

Objectives

At the end of this lesson, using your resource materials, you will be able to:

- Define an HSA and other tax-favored arrangements
- Determine eligibility to contribute to an HSA
- Calculate the limits on contributions to an HSA
- Identify information documents, Forms 5498-SA, W-2 and 1099-SA, used in reporting contributions and distributions
- Determine when and how to report HSA contributions on Form 8889 and calculate the tax deduction, if any
- Determine when and how to report HSA distributions on Form 8889
- Explain the effects of distributions not used for qualified medical expenses

What do I need?

- Form 13614-C
- Publication 17
- Publication 502
- Publication 969
- Publication 4012, Health Savings Accounts (HSA) Helpful Hints
- Publication 4885, HSA Screening Sheet
- Form 1040
- Form 8889 and Instructions
- Form 5498-SA and Instructions
- Form 1099-SA and Instructions
- Form W-2 and Instructions
- Optional:**
- Form 1040 Instructions

The Background on HSA

A health savings account (HSA) is a tax-favored medical savings account available to taxpayers. HSAs enable taxpayers to pay for current medical expenses and save for future qualified medical expenses on a tax-free basis.

HSAs are owned by individuals, but contributions may be made by an employer or any other person. Amounts in an HSA may be accumulated over the years or distributed on a tax-free basis to pay for or reimburse qualified medical expenses.



Contributions are amounts added to an HSA account by an individual, an employer, or any other person.

Deductions are the amounts allowed as adjustments to income on Form 1040.

Distributions are amounts an individual withdraws from the HSA for qualified medical purposes.

Intake/Interview Process

Use Form 13614-C, Intake/Interview & Quality Review Sheet to determine if the taxpayer had HSA contributions or distributions. The intake and interview sheet is a starting point for a comprehensive interaction with the taxpayer. This interaction, along with the source documents provided by the taxpayer, will help you prepare an accurate return.

Form 5498-SA, HSA, Archer MSA, or Medicare Advantage MSA Information, is used to report HSA contributions. Form 1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA, is used to report HSA distributions. These information documents are issued by the HSA trustee to taxpayers who have HSA contributions or distributions, for use in tax return preparation.

HSA Helpful Hints and HSA Screening Sheet

The HSA Helpful Hints document was developed to provide an at-a-glance summary of the HSA topic. Publication 4885, HSA Screening Sheet, was developed to help volunteers determine if the HSA issue was within the scope of the volunteer program. Use these references if HSA questions arise during the interview with the taxpayer. You can download and print a copy of Publication 4885 from www.irs.gov.

The HSA Helpful Hints and the HSA Screening Sheet are included in Publication 4012, the Volunteer Resource Guide (Adjustments Tab).

Types of Tax-Favored Arrangements

What are tax-favored arrangements?

Various programs are designed to give individuals tax advantages to offset health care costs. This section provides general definitions of other tax-favored arrangements. These definitions will help you distinguish the **differences** in these programs and help with your overall understanding of tax-favored arrangements. While these programs may have features similar to an HSA, it is important to know they are different.

Types of tax-favored arrangements are:

- Archer Medical Savings Accounts
- Medicare Advantage MSA
- Health Reimbursement Arrangements
- Flexible Spending Arrangements

Archer Medical Savings Accounts (MSA)

The Archer MSA represents the first generation of HSA. MSA contributions may be received from either an eligible individual or his or her employer but not in the same tax year. Contributions by the individual are taken as an adjustment to income and are deductible whether or not the individual itemizes deductions. Employer contributions are not included in taxable income. As long as distributions from an MSA are used to pay qualified medical expenses, they are not taxed, but MSA eligibility is restricted to employees of small employers and the self-employed, which rules out participation for many taxpayers.

Medicare Advantage MSA

A Medicare Advantage MSA is an Archer MSA designated by Medicare to be used solely to pay the qualified expenses of the account holder who is enrolled in Medicare. Contributions can only be made by Medicare. The contributions are not included in the individual's income and are not deductible by the individual. Distributions from a Medicare Advantage MSA that are used to pay qualified medical expenses are not taxed.

Health Reimbursement Arrangements (HRA)

An HRA must receive contributions from the employer only. Employees may not contribute. Contributions are not includible in income. Reimbursements from an HRA that are used to pay qualified medical expenses are not taxed.



Refer taxpayers with an Archer Medical Savings Account, Medicare Advantage MSA, or a Health Reimbursement Arrangement to a professional tax preparer. These topics are out of scope and the information is provided for your awareness only.

Flexible Spending Arrangements (FSA)

A health Flexible Spending Arrangement (FSA) allows an employee to be reimbursed for medical expenses. An FSA is usually funded through a voluntary salary reduction agreement with the employer. No employment tax or federal income tax withholding is deducted from an employee's contribution. The employer may also contribute. The FSA is not a health plan but only a means of reimbursing the FSA participant for qualified medical expenses. Do not confuse FSA with HSA; FSA activity is not reported on an individual tax return.

What is an HSA?

An HSA is a tax-exempt trust or custodial account that a taxpayer sets up with a qualified HSA trustee. Distributions from an HSA are nontaxable if the funds are used for qualified medical expenses. A taxpayer must be an eligible individual to qualify to contribute to an HSA.

No permission or authorization from the IRS is necessary to establish an HSA. To set up an HSA a taxpayer will need to work with a trustee. A qualified HSA trustee can be a bank, an insurance company, or anyone already approved by the IRS to be a trustee of an individual retirement arrangement (IRA) or Archer MSA. The HSA can be established through a trustee that is different from the taxpayer's health plan provider.

An HSA is created by:

- Enrolling in a High-Deductible Health Plan (HDHP) and then
- Opening a tax-exempt trust or custodial account, with a qualified HSA trustee, to pay for qualified medical expenses

HSA Benefits

The benefits of having an HSA include:

- Amounts contributed to an HSA, except for employer contributions, can be used as an adjustment to income.
- Contributions to an HSA by an employer may be excluded from gross income; this includes contributions made through a Section 125 cafeteria plan.
- The contributions remain in the account and are carried over, without limit, from year to year until the taxpayer uses them.
- The interest and other earnings on the assets in the account are tax-free.
- Distributions will be tax-free if used to pay unreimbursed qualified medical expenses.
- An HSA is portable, so it stays with taxpayers even if they change employers or leave the work force.
- There is no deadline by which qualifying expenses must be reimbursed by the HSA.



EXERCISES

Answers are at the end of the lesson.

Question 1: Does an HSA stay with the taxpayer even if the taxpayer changes jobs?

Yes No

Question 2: Which of the following statements is false?

- A. Taxpayers' contributions to an HSA are tax deductible.
- B. Interest earned on an HSA is tax-free if used for unreimbursed qualified medical expenses.
- C. Taxpayers pay taxes on HSA earnings when they take distributions for unreimbursed qualified medical expenses.
- D. Unused funds and interest are carried over, without limit, from year to year.

Individuals Who Qualify for an HSA

To be an **eligible individual** and qualify for an HSA, the taxpayer must meet the following requirements:

- Be covered by a high-deductible health plan (HDHP) on the first day of the month
- Not be covered by other health insurance (see Publication 969 for exceptions)
- Not be enrolled in Medicare (the individual can be HSA-eligible for the months before being covered by Medicare)
- Not be eligible to be claimed as a dependent on someone else's tax return (see Caution)



CAUTION If another taxpayer is entitled to claim an exemption for the individual, the individual cannot claim a deduction for an HSA contribution. This is true even if the other person does not actually claim the exemption.

Rules for Married Individuals

In the case of married individuals, each spouse who is an eligible individual who wants to have an HSA must open a separate HSA. Married couples cannot have a joint HSA, even if they are covered by the same HDHP; however, distributions can be used to cover the qualified expenses of the other spouse.

In the event of the death of one of the married individuals, the HSA will be treated as the surviving spouse's HSA if the spouse is the designated beneficiary of the HSA.



CAUTION An employee covered by an HDHP and a health FSA or an HRA that pays or reimburses qualified medical expenses generally cannot make contributions to an HSA.

High-Deductible Health Plan

Taxpayers must be covered by a high-deductible health plan (HDHP) to take advantage of HSA. An HDHP generally has lower premiums than traditional health care coverage.

An HDHP is health coverage with a:

- Higher annual deductible than typical health plans and
- Maximum limit on the sum of the annual deductible and out-of-pocket medical expenses that the taxpayer must pay for covered expenses. Out-of-pocket expenses include copayments and other cost sharing but do not include premiums.

The IRS has ruled that an HDHP can cover certain types of **preventive care** without a deductible, or with a deductible that is less than the annual deductible applicable to all other services. Generally, preventive care services do not include any service, benefit, or medication to treat an existing illness, injury, or condition. In situations where the treatment is incidental or ancillary to a preventive care service or screening, the treatment may fall within the safe-harbor for preventive care. See IRS Notice 2004-50, Internal Revenue Bulletin 2004-33, available on www.irs.gov, for details on these situations.

If an HDHP has a deductible for preventive care expenses, those expenses, up to the deductible, are qualified medical expenses for HSA purposes. If the HDHP has no deductible for these preventive services, the plan – not the HSA – covers the expenses. Taxpayers who are uncertain if their plan is an HDHP should be advised to contact their insurer.



In addition to preventive care, the high deductible requirements are not necessary for dental or vision coverage.

HDHP Deductible Limits

There are limits for annual deductible and out-of-pocket expenses for an HDHP.

For more information, refer to Publication 969.



EXERCISES (continued)

Question 3: There are maximum limits on the total of the annual deductible and out-of-pocket medical expenses that the taxpayer may pay for covered expenses for an HDHP. Yes No

Question 4: Frank is retired and has no other health coverage except for Medicare. He would like to open an HSA to cover his additional medical expenses. He's been shopping for high-deductible health plans. Provided he gets an HDHP, is he eligible for an HSA? Yes No

Question 5: Bill and Ann are married. They are both self-employed, and each is enrolled in a self-only HDHP. Can Bill and Ann set up a joint HSA? Yes No

Question 6: John is 18 years old and a full-time student. He also works and is covered under his employer's HDHP (self-only). John's parents are eligible to claim him as a dependent on their tax return, but they choose not to claim him. Does John qualify for an HSA? Yes No

Contributions to HSA

Any eligible individual can contribute to an HSA. For an employee's HSA, the employee, employer, or both may contribute to the employee's HSA in the same year. For an HSA established by a self-employed (or unemployed) individual, the individual can contribute.

Family members or any other person may also contribute on behalf of an eligible individual. Contributions to an HSA must be made in cash. Contributions of stock or property are not allowed.

Amounts contributed to an HSA, except for employer contributions and qualified HSA funding distributions from IRAs, can be used as an adjustment to income for the account owner.

Employer Contributions

Employer contributions (including an employee's contribution through a cafeteria plan) are allowed to be made to an employee's HSA. Generally, employer contributions are excluded from an employee's income. Employer contributions are reported on Form W-2, Box 12 using code W. Taxpayers must reduce the amount they, or any other person, can contribute to their HSA by the amount of any contributions made by the taxpayer's employer that are excludable from income. This includes amounts contributed to the taxpayer's account

by the employer through a cafeteria plan. For example, if the employer contributed \$1,000 to a taxpayer's HSA who had a self-only HDHP, the remaining contribution limit would be reduced by that \$1,000. Refer to Publication 4012, Volunteer Resource Guide, for current year contribution limits.



EXERCISES (continued)

Question 7: Arnold has a high-deductible health plan with an HSA with his company. His mother contributed to his HSA as a gift on his 40th birthday. Is this an allowable contribution? Yes No

HSA Limits on Contributions

The amount the taxpayer or another other person can contribute to the taxpayer's HSA depends on the type of HDHP coverage (individual or family) the taxpayer has, the taxpayer's age, the date the taxpayer became an eligible individual, and the date the taxpayer ceases to be an eligible individual.

Eligible individuals who are 55 or older by the end of the tax year can increase their contribution limit up to \$1,000 a year. This extra amount is the catch-up contribution allowed for an HSA.

Refer to HSA contribution limits in Publication 4012, Volunteer Resource Guide.



CAUTION Taxpayers with excess contributions (contributions over the limits) must withdraw the excess to avoid an additional 6% tax. If the excess is not timely withdrawn, refer the taxpayer to a professional tax preparer. Review Forms 5329 and 8889 Instructions and Publication 969 for details.



EXERCISES (continued)

Question 8: Taxpayers must reduce the amount that they or any other person can contribute to their HSA by the amount of any employer contributions that are excludable from income. Yes No

Question 9: Marie is 56 years old. Is she eligible to make catch-up contributions to her HSA account?
 Yes No

Rules for Married People

The rules for married people apply only if both spouses are eligible individuals. If either spouse has family HDHP coverage, the family contribution limit applies; both spouses are treated as having family HDHP coverage.

If **both** spouses are 55 or older and not enrolled in Medicare:

- Each spouse is entitled to increase his or her contribution limit with an additional contribution.
- Their maximum total contributions under family HDHP coverage would include a catch-up contribution for each spouse.
- The contribution limit is divided between the spouses by agreement. If there is no agreement, the contribution limit is split equally between the spouses.
- Any additional contribution for age 55 or over must be made by each spouse to his or her own HSA.

example

This year, Mr. Auburn and his wife are both eligible individuals. They each have family coverage under separate HDHPs. Mr. Auburn is 58 years old and Mrs. Auburn is 53. Mr. and Mrs. Auburn can split the family contribution limit equally, or they can agree on a different division. If they split it equally, each can contribute one-half the maximum contribution for family coverage. Mr. Auburn can contribute an additional \$1,000 because he is age 55 or over. Refer to HSA contribution limits in Publication 4012, Volunteer Resource Guide, and Publication 969.



EXERCISES (continued)

Question 10: When one spouse is age 55 or older, either spouse can add the catch-up contribution to their HSA. True False

Limit on Contributions

While many taxpayers do not contribute the maximum amount allowed to their HSA, you may need to explain these limits to taxpayers. The amount that can be contributed to an HSA depends on the:

- Type of HDHP coverage (self-only or family coverage)
- Taxpayer's age
- Date the taxpayer became an eligible individual, *and*
- Date the taxpayer ceases to become an eligible individual.

If the taxpayer is an eligible individual on the first day of every month with the same coverage for the entire year, the full contribution amount is allowed.

If the taxpayer was not an eligible individual for the entire year or changed his or her coverage during the year, the contribution limit is:

- **Last-month rule** allows eligible individuals to make a full contribution for the year even if they were not an eligible individual for the entire year. They can make the full contribution for the year if:
 - They are eligible individuals on the first day of last month of their taxable year. For most people, this would be December 1, and
 - They remain eligible individuals during the testing period. The testing period runs from December 1 of the current year through December 31 of the following year (for calendar taxpayers).
 - If the taxpayer does not qualify to contribute the full amount for the year, the contribution is determined by using the sum of the monthly contribution limits rule.

OR

- **Sum of the monthly contribution limits rule** (use Limitation Chart and Worksheet in Form 8889 Instructions). This is the amount determined separately for each month based on eligibility and HDHP coverage on the first day of each month plus catch-up contributions. For this purpose, the monthly limit is 1/12 of the annual contribution limit, as calculated on the Limitation Chart and worksheet.

A taxpayer who cannot use the last-month rule **must** use the sum of the monthly contribution limits rule to determine the maximum HSA contribution.

example

Chris, age 53, became an eligible individual on December 1 of the tax year. He has family HDHP coverage on that date. He fully expects to meet the testing period by remaining eligible through December 31 of the following tax year. Under the last-month rule, he can contribute up to the maximum family contribution limit for the current tax year.

example

Maria, age 48, was an eligible individual with self-only HDHP coverage. She was covered from January through September. She was not an eligible individual for the remaining months of October, November, and December. Use the limitation chart and worksheet in Form 8889 Instructions to calculate her maximum contribution.



EXERCISES (continued)

Question 11: From January through June, Adele, age 30, participated in her employer's HDHP (with self-only coverage) and made monthly contributions to her HSA. Adele was laid off in July and remained unemployed and without health insurance for the remainder of the tax year. Adele can use the last-month rule to figure her contribution limit. True False

HSA Contribution Timeframe

Taxpayers and employers can make contributions to the taxpayer's HSA until the filing deadline without regard to extension. If taxpayers were not eligible individuals for the entire year, they can still make contributions until the filing deadline without regard for extension, for the months they were eligible individuals.

Setting up an HSA

While there is no deadline for setting up an HSA, the taxpayer must have HDHP coverage during the year in order to make a contribution. Also, the HSA must be set up with an authorized trustee.

HSA Rollovers or Transfers

Rollover Contributions

Generally, a rollover is a tax-free distribution to the taxpayer of cash or other assets from one HSA that the taxpayer contributes to another HSA. The contribution to the second HSA is called a rollover contribution. These contributions:

- Are not included in taxpayers' income
- Are not deductible
- Do not reduce taxpayers' contribution limit

Taxpayers can also roll over amounts from Archer MSAs into an HSA. They do not have to be eligible individuals to make a rollover contribution from their existing HSA to a new HSA.



CAUTION Remember, Archer MSAs are out of scope for VITA/TCE. Refer taxpayers who have issues that involve Archer MSA to a professional tax preparer.

Rollovers are not subject to annual contribution limits and a rollover contribution is not always cash; for example, it could be a Certificate of Deposit (CD). The taxpayer must roll over the amount within 60 days after the date of receipt, and may only make one rollover contribution to an HSA during a one-year period.

See Publication 969 for more information on rollover contributions.

example

Mary became unemployed during the current tax year. She was required by her previous employer to move her HSA. She rolled over the amount within 60 days to a new HSA.



If the taxpayers have their HSA funds transferred directly into another HSA in a trustee-to-trustee transfer, this is not considered a rollover. There is no limit on the number of these transfers. Do not include the amount transferred in income, deduct it as a contribution or include it as a distribution on Form 8889.



EXERCISES (continued)

Question 12: Doris moved to a new job. She asked the HSA trustee to transfer her funds into the new HSA. Is this allowable? Yes No

Distributions from an HSA

Distributions for Qualified Medical Expenses

Generally, taxpayers will pay medical expenses during the year without being reimbursed by the HDHP until the plan's annual deductible is reached. When the taxpayer pays these medical expenses that are not reimbursed by the HDHP, the taxpayer can request a distribution from the HSA trustee. The taxpayer can receive tax-free distributions from an HSA to pay or be reimbursed for qualified medical expenses incurred after the taxpayer establishes the HSA.

Qualified medical expenses are expenses that *generally* would qualify for the medical and dental expenses deduction. Examples include unreimbursed expenses for doctors, dentists, and hospitals. A medicine or drug will be a qualified medical expense only if the medicine or drug:

- Requires a prescription
- Is available without a prescription (an over-the-counter medicine or drug) and the taxpayer gets a prescription for it, or
- Is insulin

See Publication 502, Medical and Dental Expenses, for more information.

Taxpayers must keep records to show that HSA distributions were used to pay or reimburse qualified medical expenses, that these expenses had not been paid or reimbursed from another source, and the medical expense had not been taken as an itemized deduction in any year. For recordkeeping requirements on HSA distributions see Publication 969, Distributions from an HSA. Taxpayers are not required to take annual distributions from their HSA. However, taxpayers who have taken HSA distributions will receive Form 1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA, from their HSA trustee and must provide it before the return can be completed.



Expenses incurred before establishing an HSA are not qualified medical expenses. If a taxpayer is considered to be an eligible individual for the entire year under the last-month rule, only those expenses incurred after actually establishing the HSA are qualified expenses.

Mistaken Distributions

If amounts were distributed during the year from an HSA because of a mistake of fact due to reasonable cause, the account beneficiary may repay the mistaken distribution no later than April 15 following the first year the account beneficiary knew or should have known the distribution was a mistake. See the instructions for Form 1099-SA for further information.

example

Laura established an HSA in July. She incurred medical expenses in May and wants to pay those from her HSA. The expenses incurred in May before she established her HSA are not qualified medical expenses for purposes of her HSA.

example

Vikki's doctor suggested she take some exercise classes. Vikki signed up for yoga, swimming classes, and a health club. Since these are for general health improvement, they cannot be considered as qualified medical expenses.



Preventive services, not reimbursed by the HDHP, can be paid from an HSA.



EXERCISES (continued)

Question 13: Adriane purchased over-the-counter medicine (without a prescription) in June. Is this a qualified medical expense for HSA purposes? Yes No

Qualified Insurance Premiums for HSA Purposes

A taxpayer **cannot** treat insurance premiums as qualified medical expenses **unless** the premiums are for:

- Long-term care insurance based on premium limits shown in Publication 4012, Volunteer Resource Guide, or the Instructions for Schedule A, Itemized Deductions
- Health care continuation coverage, such as coverage under COBRA
- Health care coverage while receiving unemployment compensation
- Medicare and other health care coverage if the taxpayer was 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)



EXERCISES (continued)

Question 14: Johnnie, who is 49 years old, used funds from her HSA to pay her premium for COBRA coverage. Is this a qualified distribution? Yes No

Whose medical expenses qualify?

Qualified medical expenses are those incurred by the following persons:

- The taxpayer and spouse
- All dependents claimed on the tax return

- Any other person who could have been claimed as a dependent on the taxpayer's return except that:
 - The person filed a joint return
 - The person had gross income of the exemption amount or more, or
 - The taxpayer or spouse (if filing jointly) could be claimed as a dependent on someone else's tax return



A child of parents who are divorced, separated, or living apart for the last six months of the calendar year is treated as the dependent of both parents (for medical expenses) whether or not the custodial parent releases the claim to the child's exemption.



Taxpayers cannot deduct qualified medical expenses as an itemized deduction on Form 1040, Schedule A, that are equal to the tax-free distribution from their HSA. Since the medical expenses have been paid from HSA funds, the taxpayers cannot include the same expenses on Schedule A.



Even taxpayers who have a self-only HDHP may use the money in their HSA to pay the unreimbursed medical expenses for their spouse or other family members (as described previously).

Reporting HSA Contributions, Distributions, and Deductions

Form 5498-SA, HSA, Archer MSA, Medicare Advantage MSA Information

Form 5498-SA shows the amount contributed during the year for any HSA, Archer MSA, or Medicare Advantage MSA. Generally, contributions made by the taxpayer or someone other than the taxpayer's employer are deductible on the taxpayer's tax return. In addition to being included on Form 5498-SA, employer contributions will also be shown on Form W-2, box 12, with code W. Contributions made by an employer are not included in the income of the taxpayer. Contributions to an employee's account by an employer using the amount of an employee's salary reduction through a cafeteria plan (also known as a "125 plan") are treated as employer contributions. HSA contribution limits are reduced by employer contributions.



Form 5498-SA is issued by the HSA Trustee showing the amount of HSA contributions.

Excess contributions will be included in income and are also subject to a 6% excise tax. Excess contributions that are not withdrawn in a timely fashion are out of scope for the VITA/TCE programs. Refer taxpayers in this situation to a professional tax preparer.



Taxpayers may not receive Form 5498-SA before the filing deadline, but they should have the information regarding contributions to their HSA.

Form 8889, Health Savings Accounts (HSA)

A taxpayer must file Form 8889 with Form 1040 if the taxpayer (or spouse if filing a joint return) had any activity in an HSA. This is true even if only the taxpayer's employer or the spouse's employer made contributions to the HSA.

Taxpayers who are filing jointly and who each have separate HSAs will each complete a separate Form 8889. Married taxpayers cannot have a joint HSA.

Ask taxpayers during the interview process if their HDHP coverage is "self-only" or "family," and check the corresponding box on Form 8889.

Form 8889, Part I

Form 8889, Part 1, is used to report all HSA contributions and to compute the allowable HSA deduction. This includes contributions made by the filing deadline that are designated for the tax year. Contributions made by an employer are also shown in Part I, but are not included in the deductible amount.

An HSA may receive contributions from an eligible individual or any other person, including an employer or a family member, on behalf of an eligible individual.



EXERCISES (continued)

Question 15: Sylvia has HDHP coverage for herself only. She contributed \$2,000 to her HSA. Her employer also contributed \$1,000 to her HSA. Using Form 8889, what is her HSA deduction?

- A. \$1,000
- B. \$2,000
- C. \$3,000

Question 16: Form 8889, Part I, is used to report HSA contributions made by _____.

- A. An employer
- B. A taxpayer
- C. A person on behalf of the taxpayer
- D. All of the above

Question 17: Employer contributions to an HSA will be included in the taxpayer's HSA deduction on Form 1040, Adjusted Gross Income section. True False

Form 8889, Part II

Form 8889, Part II, is used by taxpayers to report distributions from an HSA. Taxpayers receive tax-free distributions from an HSA to pay or be reimbursed for qualified medical expenses. The taxpayer will have to tell you what types of expenses were paid or reimbursed with the distribution.

Form 1099-SA reports distributions to a taxpayer. Box 5 will indicate whether the distribution is from an HSA, Archer MSA, or a Medicare Advantage MSA. The code in Form 1099-SA, box 3, identifies the distribution the taxpayer received. Code 1 is a normal distribution. Refer to Form 1099-SA for an explanation of the other codes.

If distributions are received for reasons other than qualified medical expenses, the amount withdrawn will be included in income and reported on Form 1040, line 21. HSA distributions included in income are subject to an additional 20% tax unless the account beneficiary:

- Dies
- Becomes disabled (see Form 8889 instructions)
- Turns age 65

This tax is computed on Form 8889 and reported on Form 1040. Taxpayers do not have to take distributions from their HSA each year.



Tax Software Hint: Amounts entered on Form 8889 are automatically carried over to the applicable lines of Form 1040. The amount of HSA distributions not used for qualified medical expenses will carry over to line 21.

Form 8889, Part III

Form 8889, Part III, is out of scope for the VITA and TCE programs.



EXERCISES (continued)

Question 18: Barbara incurred \$3,000 of unreimbursed qualified medical expenses. She received a \$2,000 distribution from her HSA to pay for these medical expenses. Using Form 8889, determine Barbara's taxable HSA distribution.

- A. \$0
- B. \$2,000
- C. \$3,000
- D. \$5,000

Question 19: Joe paid \$4,000 in unreimbursed qualified medical expenses. He received an HSA distribution of \$4,000. Where is this information reported on his tax return?

- A. Form 8889, Part I
- B. Form 8889, Part II
- C. Does not need to be reported
- D. Both A and B

Question 20: Assume Joe paid \$3,000 in unreimbursed qualified medical expenses and received an HSA distribution of \$4,000. What amount is taxable?

- A. \$4,000
- B. \$3,000
- C. \$1,000
- D. \$0

Summary

An HSA is a tax-exempt trust or custodial account that a taxpayer sets up with a qualified HSA trustee to pay for or reimburse certain medical expenses a taxpayer incurs.

Eligibility

A taxpayer must be an **eligible individual** to qualify for an HSA. See specific qualifications outlined earlier. A high-deductible health plan (HDHP) is health coverage with:

- A higher annual deductible than typical health plans, and
- A maximum limit on the sum of the annual deductible and out-of-pocket medical expenses that the taxpayer must pay for covered expenses. Out-of-pocket expenses include co-payments and other amounts, but do not include most premiums.

An HSA is created by:

- Enrolling in an HDHP, and
- Establishing the HSA

Contributions, Distributions, Deductions, and Form 8889

The amount the taxpayer or any other person can contribute to the taxpayer's HSA depends on the type of HDHP coverage, the taxpayer's age, the date the taxpayer became an eligible individual, and the date the taxpayer is no longer an eligible individual. In addition, the contribution limit for an HSA is reduced by employer contributions.

HSAs enable taxpayers to pay for current medical expenses and save for future qualified medical expenses on a tax-free basis. The following forms are used to report HSA activities:

- Form 5498-SA to report contributions to a taxpayer's HSA. Employer contributions will also be shown in Form W-2, box 12 – may include employee contributions under a Section 125 Cafeteria Plan (pretax dollars).
- Form 1099-SA to report HSA distributions for the year.
- Form 8889, Health Savings Accounts, Part I, to report contributions and calculate the HSA deduction.
- Form 8889, Health Saving Accounts, Part II, to report HSA distributions and report qualified medical expenses. Amounts that are taxable are calculated, and the 20% additional tax is also shown here.
- Form 8889, Health Savings Accounts, Part III, to report income and additional tax for failure to maintain HDHP coverage. This part of the form is out of scope. Refer taxpayers with these issues to a professional tax preparer.

Funds in an HSA can remain in the account and are carried over, without limit, from year to year until the taxpayer uses them. Interest or other earnings on the assets in the account are tax-free.

Taxpayers can receive tax-free distributions from their HSA to pay or be reimbursed for qualified medical expenses that are incurred after establishing the HSA.

Qualified medical expenses are those expenses that would generally qualify for the medical and dental expense deduction on Schedule A of Form 1040.

There are recordkeeping requirements for HSA distributions. See Publication 969 for additional information.

What situations are out of scope for the VITA/TCE programs?

Refer taxpayers with these issues to a professional tax preparer:

- Excess contributions to an HSA that are not withdrawn in a timely fashion
- Qualified HSA funding distributions from an IRA
- Death of an HSA holder (when spouse is not the designated beneficiary)
- Additional Tax for Failure to Maintain HDHP Coverage
- Deemed distributions from an HSA due to prohibited transactions, such as using an HSA as a security for a loan
- Archer Medical Saving Accounts (MSA)
- Medicare Advantage MSA
- Health Reimbursement Arrangement
- Form 8889, Part III

For more information, see Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans.



EXERCISE ANSWERS

Answer 1: Yes. An HSA is portable, so it stays with the taxpayer even if the taxpayer changes employers or leaves the work force.

Answer 2: C. With an HSA, distributions for unreimbursed qualified medical expenses are tax-free.

Answer 3: Yes. There are maximum limits on the sum of the annual deductible and out-of-pocket medical expenses that the taxpayer must pay for covered expenses.

Answer 4: No. To set up and contribute to an HSA, an individual must not be enrolled in Medicare.

Answer 5: No. Spouses cannot have a joint HSA. Each spouse who is an eligible individual must open a separate HSA.

Answer 6: No. Any person eligible to be claimed as a dependent by another individual does not qualify for an HSA. This is true even if the person is not actually claimed.

Answer 7: Yes. Family members or any other person may also contribute on behalf of an eligible individual.

Answer 8: Yes. Taxpayers must reduce the amount that they or any other person can contribute to their HSA by the amount of any employer contributions that are excludable from income.

Answer 9: Yes. She is eligible to make catch-up contributions to her HSA account because she is over age 55.

Answer 10: False. Only the spouse who is age 55 or older can make the catch-up contribution.

Answer 11: False. Adele was not an eligible individual on the first day of the last month of her tax year (December 1); therefore she must use the sum of monthly contribution limits rule.

Answer 12: Yes. This is allowed because Doris transferred her HSA funds directly into another HSA in a trustee-to-trustee transfer. This is not considered a rollover; there is no limit on the number of these transfers.

Answer 13: No. Nonprescription medicines (other than insulin) do not qualify for HSA purposes. See Publication 969 for more information.

Answer 14: Yes. Premiums for COBRA coverage is a qualified medical expense.

Answer 15: B. Employer contributions are not deductible.

Answer 16: D. Form 8889, Part I, is used to report contributions made by taxpayers, contributions made by any other person on behalf of the taxpayer, and the contributions made by the taxpayer's employer.

Answer 17: False. Only contributions made by the taxpayer or by any other person, other than the employer, can be included in the taxpayer's HSA deduction on Form 1040, Adjusted Gross Income section.

Answer 18: A. If the HSA distribution is for qualified medical expenses it is tax-free. If the distribution is more than the amount of qualified expenses, the difference is then taxable income.

Answer 19: B. Unreimbursed qualified medical expenses are reported on Form 8889, Part II.

Answer 20: C. The difference between the total distributions and the unreimbursed qualified medical expenses is taxable.



Health Savings Accounts – Practice Scenarios

Three practice scenarios are provided to help you apply what you have learned in the Health Savings Accounts course.

The first scenario requires you to review the interview notes, but does not require you to prepare a tax return. The next two scenarios require you to review the interview notes and taxpayer documents in order to complete the practice exercise. In order to answer the questions, you need to complete Form 1040, page 1, and the appropriate forms and schedules.

The Practice Lab on Link & Learn Taxes is available for you to complete the returns using tax preparation software. After you answer the questions, you can check your answers, which are listed on the last page of the HSA course.

Practice Scenario 1 – Lucy Hildago

This scenario does not require you to prepare a tax return. Review Form 8889 and use your resource materials and the interview notes to answer the questions below.

Interview Notes

- Lucy is a single mother, age 35. Lucy's 2-year-old daughter, Carmen, lives with her.
- Lucy is enrolled in an HDHP with family coverage and had the same coverage for the entire year. She established an HSA two years ago.
- Lucy put \$1,200 of her own money in the HSA. She also tells you that her grandmother deposited \$3,000 in that account for her during the year.
- Lucy's Form W-2 shows \$1,020 in box 12 with code W. She has Form 5498-SA showing \$5,220 in box 2.

Practice Scenario 1 Questions

- 1-1 Lucy can identify the employer's HSA contribution by the Code W in box 12 on her Form W-2.
- A. True
 - B. False
- 1-2 What amount will be entered on Form 8889, line 2?
- A. \$1,200
 - B. \$3,000
 - C. \$4,200
 - D. \$5,220
- 1-3 After completing Form 8889, Part I, what is Lucy's HSA deduction?
- A. \$3,000
 - B. \$4,200
 - C. \$5,130
 - D. \$5,220

Practice Scenario 2 – Andrew Noble

Use the taxpayer documents and interview notes to complete this practice exercise. Complete Form 1040, page 1, and the appropriate forms and schedules, to answer the questions.

For practice using the tax preparation software, complete this scenario using the Practice Lab on Link & Learn Taxes.

Interview Notes

- Andrew was not on Medicare at any time during the year.
- Andrew was enrolled the entire year in an HDHP with self-only coverage.
- During this year, Andrew contributed \$3,500 to his HSA.
- Andrew took a distribution from his HSA to pay the following unreimbursed expenses:
 - Urgent care bill: \$375
 - Hospital bill: \$1,200
 - Prescription medicine: \$578
 - Dental bills for routine exams: \$168
 - Nonprescription medication: \$79

Intake/Interview & Quality Review Sheet

You will need:

- Tax Information such as Forms W-2, 1099, 1098, 1095.
- Social security cards or ITIN letters for all persons on your tax return.
- Picture ID (such as valid driver's license) for you and your spouse.

Please complete pages 1-3 of this form.

- You are responsible for the information on your return. Please provide complete and accurate information.
- If you have questions, please ask the IRS-certified volunteer preparer.

Volunteers are trained to provide high quality service and uphold the highest ethical standards.

To report unethical behavior to the IRS, email us at wi.voltax@irs.gov

Part I – Your Personal Information (If you are filing a joint return, enter your names in the same order as last year's return)

| | | | | | | | | |
|--|--|-------------------------------------|---------------------------|---|---|--|--------------------|-----------------------------|
| 1. Your first name ANDREW | | M.I. T | Last name NOBLE | | Telephone number YOUR PHONE # | Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | |
| 2. Your spouse's first name | | M.I. | Last name | | Telephone number | Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| 3. Mailing address 1244 E STATE STREET | | | | Apt # | City YOUR CITY | | State YS | ZIP code YOUR ZIP |
| 4. Your Date of Birth 03/03/1961 | | 5. Your job title MANAGER | | 6. Last year, were you: | | a. Full-time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| 7. Your spouse's Date of Birth | | 8. Your spouse's job title | | b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | c. Legally blind <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| | | | | 9. Last year, was your spouse: | | a. Full-time student <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| | | | | b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No | | c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No | | |
| 10. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unsure | | | | | | | | |
| 11. Have you or your spouse: a. Been a victim of identity theft? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Adopted a child? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | | | | | | | |

Part II – Marital Status and Household Information

1. As of December 31, 2017, were you: Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)

Married a. If Yes, Did you get married in 2017? Yes No

Divorced b. Did you live with your spouse during any part of the last six months of 2017? Yes No

Legally Separated Date of final decree _____

Widowed Date of separate maintenance agreement _____

Year of spouse's death _____

2. List the names below of:

- everyone who lived with you last year (other than your spouse)
- anyone you supported but did not live with you last year

If additional space is needed check here and list on page 3

| | | | | | | | | | | | To be completed by a Certified Volunteer Preparer | | | | |
|--|--------------------------|---|---|---------------------|--|--|--------------------------------------|---|--|--|--|--|---|--|--|
| Name (first, last) Do not enter your name or spouse's name below | Date of Birth (mm/dd/yy) | Relationship to you (for example: son, daughter, parent, none, etc) | Number of months lived in your home last year | US Citizen (yes/no) | Resident of US, Canada, or Mexico last year (yes/no) | Single or Married as of 12/31/17 (S/M) | Full-time Student last year (yes/no) | Totally and Permanently Disabled (yes/no) | Is this person a qualifying child/relative of any other person? (yes/no) | Did this person provide more than 50% of his/her own support? (yes/no) | Did this person have less than \$4,050 of income? (yes/no) | Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A) | Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no) | | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | | | | | | | |
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |

Check appropriate box for each question in each section

| Yes | No | Unsure | Part III – Income – Last Year, Did You (or Your Spouse) Receive |
|-------------------------------------|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? <u>1</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (A) Tip Income? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (B) Scholarships? (Forms W-2, 1098-T) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. (B) Refund of state/local income taxes? (Form 1099-G) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Alimony income or separate maintenance payments? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (A) Self-Employment income? (Form 1099-MISC, cash) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. (A) Payments from Pensions, Annuities, and/or IRA? (Form 1099-R) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. (B) Unemployment Compensation? (Form 1099G) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. (M) Income (or loss) from Rental Property? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, royalties, foreign income, etc.) Specify _____ |
| Yes | No | Unsure | Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. Contributions to a retirement account? _____ IRA (A) _____ 401K (B) _____ Roth IRA (B) _____ Other _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Unreimbursed employee business expenses? (such as uniforms or mileage) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. (B) Medical expenses? (including health insurance premiums) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Home mortgage interest? (Form 1098) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (B) Real estate taxes for your home or personal property taxes for your vehicle? (Form 1098) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (B) Charitable contributions? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (B) Child or dependent care expenses such as daycare? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. (A) Expenses related to self-employment income or any other income you received? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. (B) Student loan interest? (Form 1098-E) |
| Yes | No | Unsure | Part V – Life Events – Last Year, Did You (or Your Spouse) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (A) Have debt from a mortgage or credit card cancelled/forgiven by a commercial lender? (Forms 1099-C, 1099-A) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (A) Buy, sell or have a foreclosure of your home? (Form 1099-A) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Have Earned Income Credit (EIC) or other credits disallowed in a prior year? If yes, for which tax year? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Live in an area that was affected by a natural disaster? If yes, where? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (A) Receive the First Time Homebuyers Credit in 2008? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D? _____ |

Check appropriate box for each question in each section

| Yes | No | Unsure | Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s) |
|-------------------------------------|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Have health care coverage? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A] |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3a. (A) If yes, were advance credit payments made to help you pay your health care premiums? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Have an exemption granted by the Marketplace? |

Visit <http://www.healthcare.gov/> or call 1-800-318-2596 for more information on health insurance options and assistance.

If advance payments of the premium tax credit were paid on your behalf to help pay your health insurance premiums, you should report life changes, such as, income, marital status or family size changes, to your Marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

To be Completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating Minimum Essential Coverage (MEC) for everyone listed on the return.)

| Name (List dependents in the same order as in Part II) | MEC Entire Year | No MEC | Part Year MEC (mark months with coverage) | Exemption (mark months exemptions applies) | Exemption All Year | Notes |
|--|-----------------|--------|---|--|--------------------|-------|
| Taxpayer | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Spouse | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |

Part VII – Additional Information and Questions Related to the Preparation of Your Return

- Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Service) _____
 - Presidential Election Campaign Fund (If you check a box, your tax or refund will not change)
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund You Spouse
 - If you are due a refund, would you like:
 - Direct deposit Yes No
 - To purchase U.S. Savings Bonds Yes No
 - To split your refund between different accounts Yes No
 - If you have a balance due, would you like to make a payment directly from your bank account? Yes No
 - Have you or your spouse received any letters from the Internal Revenue Service? Yes No
- Many free tax preparation sites operate by receiving grant money. The data from the following questions may be used by this site to apply for these grants. Your answers will be used only for statistical purposes.**
- Other than English, what language is spoken in your home? **NONE** _____ Prefer not to answer
 - Do you or any member of your household have a disability? Yes No Prefer not to answer
 - Are you or your spouse a Veteran from the U.S. Armed Forces? Yes No Prefer not to answer

Additional comments

CORRECTED (if checked)

| | | | | |
|--|--|---|---|---|
| TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number STATE BANK 123 MAIN ST YOUR CITY, STATE, ZIP | | 1 Employee or self-employed person's Archer MSA contributions made in 2017 and 2018 for 2017 \$ | OMB No. 1545-1518 2017 Form 5498-SA | HSA, Archer MSA, or Medicare Advantage MSA Information |
| TRUSTEE'S federal identification number 56-400XXXX | PARTICIPANT'S social security number 560-00-XXXX | 2 Total contributions made in 2017 \$ 3,500.00 | 3 Total HSA or Archer MSA contributions made in 2018 for 2017 \$ 0.00 | |
| PARTICIPANT'S name ANDREW T NOBLE Street address (including apt. no.) 1244 E. STATE ST. City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE, ZIP | | 4 Rollover contributions \$ | 5 Fair market value of HSA, Archer MSA, or MA MSA \$ 14,650.00 | |
| Account number (see instructions) | | 6 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/> | | |

Copy B

For Participant

This information is being furnished to the Internal Revenue Service.

Form 5498-SA

(keep for your records)

www.irs.gov/form5498sa

Department of the Treasury - Internal Revenue Service

| | | | | | |
|---|--|--|---|---|--|
| a Employee's social security number 560-00-XXXX | | Safe, accurate, FAST! Use | | Visit the IRS website at www.irs.gov/efile | |
| b Employer identification number (EIN) 56-200XXXX | | 1 Wages, tips, other compensation \$28,625.00 | 2 Federal income tax withheld \$2,175.00 | | |
| c Employer's name, address, and ZIP code PORTER INDUSTRIES 123 CENTRAL AVE LOUISVILLE, KY 40202 | | 3 Social security wages \$28,625.00 | 4 Social security tax withheld \$1,774.75 | | |
| d Control number | | 5 Medicare wages and tips \$28,625.00 | 6 Medicare tax withheld \$415.06 | | |
| e Employee's first name and initial Last name Suff. ANDREW T. NOBLE 1244 E. STATE ST. YOUR CITY, STATE, ZIP | | 7 Social security tips | 8 Allocated tips | | |
| f Employee's address and ZIP code | | 9 Verification code | 10 Dependent care benefits | | |
| 15 State Employer's state ID number YS 56-200XXXX | | 11 Nonqualified plans | 12a See instructions for box 12 | | |
| 16 State wages, tips, etc. \$28,625.00 | | 13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | 12b | | |
| 17 State income tax 1,025.00 | | 14 Other | 12c | | |
| 18 Local wages, tips, etc. | | | 12d | | |
| 19 Local income tax | | | | | |
| 20 Locality name | | | | | |

Form **W-2** Wage and Tax Statement

2017

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Practice Scenario 2 Questions

- 2-1** What is the amount of Andrew's HSA deduction on Form 1040?
- A. \$3,050
 - B. \$3,500
 - C. \$4,050
 - D. \$6,150
- 2-2** Did Andrew make an excess contribution to his HSA?
- A. Yes. The contribution is over the allowable limit for self-only HDHP coverage.
 - B. No. Andrew can make catch up contributions because he is 55 or older.
- 2-3** Is the urgent care bill a qualified medical expense for HSA purposes?
- A. Yes
 - B. No
- 2-4** What is the total unreimbursed qualified medical expenses reported on Form 8889, Part II?
- A. \$2,153
 - B. \$2,232
 - C. \$2,321
 - D. \$2,400

Practice Scenario 3 – James and Diana Calhoun

Use the taxpayer documents and interview notes to complete this practice exercise. Complete Form 1040, page 1, and the appropriate forms and schedules, to answer the questions.

For practice using the tax preparation software, complete this scenario using the Practice Lab on Link & Learn Taxes.

Interview Notes

- James and Diana Calhoun want to file a joint tax return.
- Diana is enrolled in an HDHP with family coverage. She has an HSA through her employer. As part of her benefit program, the employer contributed \$1,000 to her HSA during the year. In addition, Diana made a contribution of \$2,000.
- James and Diana have no other health insurance.
- Diana received a distribution from her HSA of \$1,900.
- James and Diana did not itemize last year and do not plan to itemize this year.
- Diana checked the unsure box on Part III, question covering other income on the intake and interview sheet, since she is not sure she has to include the HSA distribution in her income.
- Medical bills for James:
 - Over-the-counter medication (no prescription): \$400
 - Unreimbursed doctor bills: \$300
 - Unreimbursed expense for eyeglasses (needed for medical reasons): \$425
 - Unreimbursed prescription drugs: \$657
- Medical bills for Diana:
 - HDHP insurance premium: \$1,500
 - Unreimbursed doctor bills: \$195
 - Unreimbursed prescription drugs: \$128
 - Unreimbursed lab work (routine blood tests): \$250

Intake/Interview & Quality Review Sheet

You will need:

- Tax Information such as Forms W-2, 1099, 1098, 1095.
- Social security cards or ITIN letters for all persons on your tax return.
- Picture ID (such as valid driver's license) for you and your spouse.

Please complete pages 1-3 of this form.

- You are responsible for the information on your return. Please provide complete and accurate information.
- If you have questions, please ask the IRS-certified volunteer preparer.

Volunteers are trained to provide high quality service and uphold the highest ethical standards.

To report unethical behavior to the IRS, email us at wi.voltax@irs.gov

Part I – Your Personal Information (If you are filing a joint return, enter your names in the same order as last year's return)

| | | | | |
|---|--|---|---|---|
| 1. Your first name JAMES | M.I. P | Last name CALHOUN | Telephone number YOUR PHONE # | Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 2. Your spouse's first name DIANA | M.I. G | Last name CALHOUN | Telephone number | Is your spouse a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 3. Mailing address 1679 ROBERTS ST | | | Apt # | City YOUR CITY |
| | | | State YS | ZIP code YOUR ZIP |
| 4. Your Date of Birth 06/04/1964 | 5. Your job title ACCOUNTANT | | 6. Last year, were you: | |
| | | b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | a. Full-time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 7. Your spouse's Date of Birth 12/04/1963 | 8. Your spouse's job title NURSE | | 9. Last year, was your spouse: | |
| | | b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | a. Full-time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | | | | c. Legally blind <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 10. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unsure | | | | |
| 11. Have you or your spouse: | | | | |
| | | a. Been a victim of identity theft? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | b. Adopted a child? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Part II – Marital Status and Household Information

1. As of December 31, 2017, were you:

Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)

Married a. If Yes, Did you get married in 2017? Yes No

Divorced b. Did you live with your spouse during any part of the last six months of 2017? Yes No

Legally Separated Date of final decree _____

Widowed Date of separate maintenance agreement _____

Year of spouse's death _____

2. List the names below of:

- everyone who lived with you last year (other than your spouse)
- anyone you supported but did not live with you last year

If additional space is needed check here and list on page 3

| | | | | | | | | | | | To be completed by a Certified Volunteer Preparer | | | | |
|--|--------------------------|---|---|---------------------|--|--|--------------------------------------|---|--|--|--|--|---|--|--|
| Name (first, last) Do not enter your name or spouse's name below | Date of Birth (mm/dd/yy) | Relationship to you (for example: son, daughter, parent, none, etc) | Number of months lived in your home last year | US Citizen (yes/no) | Resident of US, Canada, or Mexico last year (yes/no) | Single or Married as of 12/31/17 (S/M) | Full-time Student last year (yes/no) | Totally and Permanently Disabled (yes/no) | Is this person a qualifying child/relative of any other person? (yes/no) | Did this person provide more than 50% of his/her own support? (yes/no) | Did this person have less than \$4,050 of income? (yes/no) | Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A) | Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no) | | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | | | | | | | |
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |

| Check appropriate box for each question in each section | | | |
|---|-------------------------------------|-------------------------------------|--|
| Yes | No | Unsure | Part III – Income – Last Year, Did You (or Your Spouse) Receive |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? <u>2</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (A) Tip Income? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (B) Scholarships? (Forms W-2, 1098-T) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. (B) Refund of state/local income taxes? (Form 1099-G) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Alimony income or separate maintenance payments? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (A) Self-Employment income? (Form 1099-MISC, cash) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. (A) Payments from Pensions, Annuities, and/or IRA? (Form 1099-R) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. (B) Unemployment Compensation? (Form 1099G) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. (M) Income (or loss) from Rental Property? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | 15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, royalties, foreign income, etc.) Specify _____ |
| Yes | No | Unsure | Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. Contributions to a retirement account? _____ IRA (A) _____ 401K (B) _____ Roth IRA (B) _____ Other |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Unreimbursed employee business expenses? (such as uniforms or mileage) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. (B) Medical expenses? (including health insurance premiums) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Home mortgage interest? (Form 1098) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (B) Real estate taxes for your home or personal property taxes for your vehicle? (Form 1098) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (B) Charitable contributions? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (B) Child or dependent care expenses such as daycare? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. (A) Expenses related to self-employment income or any other income you received? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. (B) Student loan interest? (Form 1098-E) |
| Yes | No | Unsure | Part V – Life Events – Last Year, Did You (or Your Spouse) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (A) Have debt from a mortgage or credit card cancelled/forgiven by a commercial lender? (Forms 1099-C, 1099-A) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (A) Buy, sell or have a foreclosure of your home? (Form 1099-A) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Have Earned Income Credit (EIC) or other credits disallowed in a prior year? If yes, for which tax year? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Live in an area that was affected by a natural disaster? If yes, where? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (A) Receive the First Time Homebuyers Credit in 2008? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D? _____ |

Check appropriate box for each question in each section

| Yes | No | Unsure | Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s) |
|-------------------------------------|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Have health care coverage? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A] |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3a. (A) If yes, were advance credit payments made to help you pay your health care premiums? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Have an exemption granted by the Marketplace? |

Visit <http://www.healthcare.gov/> or call 1-800-318-2596 for more information on health insurance options and assistance.

If advance payments of the premium tax credit were paid on your behalf to help pay your health insurance premiums, you should report life changes, such as, income, marital status or family size changes, to your Marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

To be Completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating Minimum Essential Coverage (MEC) for everyone listed on the return.)

| Name (List dependents in the same order as in Part II) | MEC Entire Year | No MEC | Part Year MEC (mark months with coverage) | Exemption (mark months exemptions applies) | Exemption All Year | Notes |
|--|-----------------|--------|---|--|--------------------|-------|
| Taxpayer | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Spouse | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |

Part VII – Additional Information and Questions Related to the Preparation of Your Return

- Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Service) _____
 - Presidential Election Campaign Fund (If you check a box, your tax or refund will not change)
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund You Spouse
 - If you are due a refund, would you like:
 - Direct deposit Yes No
 - To purchase U.S. Savings Bonds Yes No
 - To split your refund between different accounts Yes No
 - If you have a balance due, would you like to make a payment directly from your bank account? Yes No
 - Have you or your spouse received any letters from the Internal Revenue Service? Yes No
- Many free tax preparation sites operate by receiving grant money. The data from the following questions may be used by this site to apply for these grants. Your answers will be used only for statistical purposes.**
- Other than English, what language is spoken in your home? **NONE** _____ Prefer not to answer
 - Do you or any member of your household have a disability? Yes No Prefer not to answer
 - Are you or your spouse a Veteran from the U.S. Armed Forces? Yes No Prefer not to answer

Additional comments _____

| | | | | | | |
|---|----------------------------|---|---|--|---------------------|--|
| a Employee's social security number 520-XX-XXXX | | Safe, accurate, FAST! Use  | | Visit the IRS website at www.irs.gov/efile | | |
| b Employer identification number (EIN) 53-0XXXXXX | | 1 Wages, tips, other compensation 27,418.00 | 2 Federal income tax withheld 2,175.00 | | | |
| c Employer's name, address, and ZIP code PATTERSON FOODS INC 1106 WILSON WAY INDIANAPOLIS, IN 46205 | | 3 Social security wages 27,418.00 | 4 Social security tax withheld 1,699.92 | | | |
| | | 5 Medicare wages and tips 27,418.00 | 6 Medicare tax withheld 397.56 | | | |
| | | 7 Social security tips | 8 Allocated tips | | | |
| d Control number | | 9 Verification code | 10 Dependent care benefits | | | |
| e Employee's first name and initial Last name Suff. JAMES P. CALHOUN 1679 ROBERTS ST YOUR CITY, STATE ZIP | | 11 Nonqualified plans | | 12a See instructions for box 12 | | |
| | | 13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/> | 12b | | | |
| | | 14 Other | | 12c | | |
| | | | | 12d | | |
| f Employee's address and ZIP code | | | | | | |
| 15 State | Employer's state ID number | 16 State wages, tips, etc. | 17 State income tax | 18 Local wages, tips, etc. | 19 Local income tax | |
| YS | 53-0XXXXXX | 27,418.00 | 1,025.00 | | | |
| | | | | | | |

Form **W-2** Wage and Tax Statement **2017** Department of the Treasury—Internal Revenue Service
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

| | | | | | | |
|---|----------------------------|---|--|--|---------------------|--|
| a Employee's social security number 521-XX-XXXX | | Safe, accurate, FAST! Use  | | Visit the IRS website at www.irs.gov/efile | | |
| b Employer identification number (EIN) 53-1XXXXXX | | 1 Wages, tips, other compensation 15,327.54 | 2 Federal income tax withheld 1,033.57 | | | |
| c Employer's name, address, and ZIP code HARRIMAN EMERGENCY CLINIC 1250 OHIO BLVD INDIANAPOLIS, IN 46205 | | 3 Social security wages 15,327.54 | 4 Social security tax withheld 950.31 | | | |
| | | 5 Medicare wages and tips 15,327.54 | 6 Medicare tax withheld 222.25 | | | |
| | | 7 Social security tips | 8 Allocated tips | | | |
| d Control number | | 9 Verification code | 10 Dependent care benefits | | | |
| e Employee's first name and initial Last name Suff. DIANA G. CALHOUN 1679 ROBERTS ST YOUR CITY, STATE ZIP | | 11 Nonqualified plans | | 12a See instructions for box 12 W 1,000.00 | | |
| | | 13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/> | 12b | | | |
| | | 14 Other | | 12c | | |
| | | | | 12d | | |
| f Employee's address and ZIP code | | | | | | |
| 15 State | Employer's state ID number | 16 State wages, tips, etc. | 17 State income tax | 18 Local wages, tips, etc. | 19 Local income tax | |
| YS | 53-1XXXXXX | 15,327.54 | 89.06 | | | |
| | | | | | | |

Form **W-2** Wage and Tax Statement **2017** Department of the Treasury—Internal Revenue Service
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

CORRECTED (if checked)

| | | | | |
|---|--|---|---|---|
| TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number JACKSON BANK & TRUST 14907 S.W. GRAND ST. INDIANAPOLIS, IN 46205 | | 1 Employee or self-employed person's Archer MSA contributions made in 2017 and 2018 for 2017 \$ 3,000.00 | OMB No. 1545-1518 2017 Form 5498-SA | HSA, Archer MSA, or Medicare Advantage MSA Information |
| TRUSTEE'S federal identification number 54-200XXXX | PARTICIPANT'S social security number 521-00-XXXX | 2 Total contributions made in 2017 \$ 0.00 | 3 Total HSA or Archer MSA contributions made in 2018 for 2017 \$ 0.00 | |
| PARTICIPANT'S name DIANA CALHOUN Street address (including apt. no.) 1679 ROBERTS ST City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE, ZIP | | 4 Rollover contributions \$ | 5 Fair market value of HSA, Archer MSA, or MA MSA \$ 9,509.00 | Copy B For Participant This information is being furnished to the Internal Revenue Service. |
| Account number (see instructions) | | 6 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/> | | |
| Form 5498-SA (keep for your records) | | www.irs.gov/form5498sa | | Department of the Treasury - Internal Revenue Service |

CORRECTED (if checked)

| | | | | |
|--|---|---|---|---|
| TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number JACKSON BANK & TRUST 14907 S.W. GRAND ST INDIANAPOLIS, IN 46205 | | | OMB No. 1545-1517 2017 Form 1099-SA | Distributions From an HSA, Archer MSA, or Medicare Advantage MSA |
| PAYER'S federal identification number 54-200XXXX | RECIPIENT'S identification number 521-00-XXXX | 1 Gross distribution \$ 1,900.00 | 2 Earnings on excess cont. \$ | |
| RECIPIENT'S name DIANA G CALHOUN Street address (including apt. no.) 1679 ROBERTS ST City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE, ZIP | | 3 Distribution code 1 | 4 FMV on date of death \$ | Copy B For Recipient This information is being furnished to the Internal Revenue Service. |
| Account number (see instructions) | | 5 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/> | | |
| Form 1099-SA (keep for your records) | | www.irs.gov/form1099sa | | Department of the Treasury - Internal Revenue Service |

Practice Scenario 3 Questions

- 3-1** The HSA deduction on the Calhouns' tax return is:
- A. \$0
 - B. \$1,000
 - C. \$2,000
 - D. \$3,000
- 3-2** What is the Calhouns' Adjusted Gross Income as shown on Form 1040?
- A. \$39,746
 - B. \$40,746
 - C. \$42,746
 - D. \$44,646
- 3-3** What is the total of unreimbursed qualified medical expenses on Form 8889, Part II?
- A. \$1,955
 - B. \$2,355
 - C. \$3,400
 - D. \$3,855
- 3-4** Did the Calhouns receive distributions in excess of their unreimbursed qualified medical expenses?
- A. Yes
 - B. No

Answers to Practice Scenarios

1-1: A

1-2: C

1-3: B

2-1: B

2-2: B

2-3: A

2-4: C

3-1: C

3-2: B

3-3: A

3-4: B



Health Savings Accounts – Test Questions

Test Answer Sheet

Name _____

Instructions: Volunteers with a Basic or Advanced certification may certify on Health Savings Accounts (HSA). HSA is an optional specialty training and certification test available on Link & Learn Taxes. Volunteers must achieve a minimum of 80% to be certified.

CAUTION: The Test scenarios are provided electronically in a PDF format for information purposes only. The questions on the online test may be either from the test or retest. Students should read each question on the online test carefully before answering.

Privacy Act Notice

The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory.

Our legal right to ask for information is 5 U.S.C. 301.

We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers.

Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs.

Question Answer

HSA Scenario 1

| | |
|----|--|
| 1. | |
| 2. | |
| 3. | |

HSA Scenario 2

| | |
|----|--|
| 4. | |
| 5. | |

HSA Scenario 3

| | |
|----|--|
| 6. | |
| 7. | |
| 8. | |

HSA Scenario 4

| | |
|-----|--|
| 9. | |
| 10. | |
| 11. | |

HSA Scenario 5

| | |
|-----|--|
| 12. | |
| 13. | |
| 14. | |
| 15. | |

Total Answers Correct: _____

Total Questions: 15

Passing Score: 12 of 15

Directions

The first four scenarios do not require you to prepare a tax return. Read the interview notes for each scenario and use your training and resource materials to answer the questions.

HSA Scenario 1: Leo Williams

Interview Notes

- Leo Williams is single and 45 years old.
- Leo works as an IT manager and his Form W-2 shows wages of \$47,250.
- Leo participated in his employer's self-only coverage High Deductible Health Plan (HDHP) all year.
- Leo does not have any other health coverage.
- Leo has had an HSA for two years.
- Leo's employer contributed \$1,500 in 2017 to Leo's HSA.
- In 2017, Leo's Aunt contributed \$2,000 to Leo's HSA.
- Leo is a U.S. citizen and has a valid Social Security number.

HSA Scenario 1: Test Questions

1. Is Leo an eligible individual for HSA purposes even though he did not make his own contributions?
 - a. Yes
 - b. No
2. What amount will Leo use to compute his HSA deduction on Form 1040, line 25?
 - a. \$0
 - b. \$1,500
 - c. \$2,000
 - d. \$3,500
3. Employer contributions to Leo's HSA are reported on his Form W-2, box 12, code W.
 - a. True
 - b. False

HSA Scenario 2: Ed and Christine Martinez

Interview Notes

- Ed and Christine are married and will file a joint return.
- Ed is 47 years old, and Christine is 56 years old.
- Both were enrolled in self-only coverage High Deductible Health Plans (HDHPs) through their employers for the entire year of 2017.
- Ed and Christine each have an HSA.
- Both have contributed the maximum amounts to their HSAs in 2017.
- Ed and Christine are both U.S. citizens and have valid Social Security numbers.

HSA Scenario 2: Test Questions

4. The amount that can be contributed to an HSA depends on the following:
 - a. Taxpayer's age and type of HDHP coverage
 - b. Date the taxpayer became eligible
 - c. Date taxpayer ceases to be eligible
 - d. All of the above
5. Ed and Christine are both eligible to make catch-up contributions to their individual HSAs.
 - a. True
 - b. False

HSA Scenario 3: Judy Young

Interview Notes

- Judy Young is 58 years old.
- Judy is single, is not disabled, and has no dependents.
- In 2017, she had earnings from her job of \$24,300.
- Judy has participated in her employer's self-only HDHP coverage since June 1, 2017 when she started a new job.
- Judy was an eligible individual all year.
- Judy asked the HSA trustee from her previous job to transfer the balance of \$2,000 into the HSA at her new job.
- In 2017, Judy contributed \$975 to her HSA.
- In 2017, Judy took funds from her HSA to pay the following expenses:
 - Insulin \$275
 - Doctor visit \$185
 - Yoga classes \$300
 - Prescription medicine \$225
 - Premiums for COBRA coverage \$425
- Judy is a U.S. citizen and has a valid Social Security number.

HSA Scenario 3: Test Questions

6. The amount of Judy's HSA contribution reported on Form 8889, line 2 is \$2,975.
 - a. True
 - b. False
7. The amount of **total** distributions reported on Form 8889, line 14a is:
 - a. \$410
 - b. \$975
 - c. \$1,110
 - d. \$1,410
8. What is the amount reported on Form 8889, line 15?
 - a. \$410
 - b. \$685
 - c. \$1,110
 - d. \$1,410

HSA Scenario 4: Carl and Monica Smith

Interview Notes

- Carl, age 46, and Monica, age 42, are married and will file a joint return.
- They have two children, Adriane and Robert, whom they will claim as dependents on their joint return.
- Monica's cousin, Michael (age 29), came to live with them in July 2017. Michael's gross income was \$4,300. Monica and Carl did not provide over one-half of Michael's support for the year but did pay \$600 of Michael's medical bills in November 2017.
- Carl was enrolled all year in an HDHP with family coverage.
- Carl has had an HSA for four years. He has no other health insurance.
- In 2017, Carl made regular contributions to his HSA totaling \$4,000.
- In 2017, Carl took \$1,800 from his HSA to pay the following medical expenses:
 - \$300 to purchase Monica's eyeglasses (needed for medical reasons).
 - \$725 for long-term care insurance for Carl.
 - \$250 for over-the-counter eye medicine for their son, Robert (no prescription from doctor).
 - \$525 for Adriane's physical therapy sessions.
- Carl, Monica, Adriane, Robert, and cousin Michael are all U.S. citizens and have valid Social Security numbers.

HSA Scenario 4: Test Questions

9. The adjustment to income on Form 1040, line 25 for Carl's HSA deduction is:
- a. \$1,800
 - b. \$3,400
 - c. \$4,000
 - d. \$6,750
10. Whose qualified medical expenses can Carl include for HSA purposes?
- a. Carl
 - b. Adriane and Robert
 - c. Carl, Monica, Adriane, and Robert
 - d. Carl, Monica, Adriane, Robert, and Michael
11. On his Form 8889, Carl can include the \$250 paid for Robert's over-the-counter eye medicine as a qualifying medical expense for HSA purposes.
- a. True
 - b. False

HSA Scenario 5: Peggy Walker

Directions

Use the interview notes, taxpayer documents, and reference materials needed for this scenario. **Please complete Form 1040 through line 63**, and the appropriate forms (including Form 8889), schedules, or worksheets. Answer the questions following the scenario.

Note: When entering Social Security numbers (SSNs) or Employer Identification Numbers (EINs), replace the Xs as directed, or with any four digits of your choice.

Interview Notes

- Peggy Walker, age 48, is a single parent raising her son, Marcus.
- Marcus is a full-time student and had no income.
- Peggy qualifies to file as Head of Household.
- For the last five years, Peggy has had family health coverage through a High Deductible Health Plan (HDHP) from her employer.
- Peggy has had an HSA for several years.
- In 2017, she contributed \$1,500 to her HSA.
- Peggy's grandmother helped her out and contributed \$1,000 to her HSA in 2017.
- Peggy's employer also contributed \$600 to her HSA in 2017.
- Peggy paid the following expenses in 2017 using money from her HSA:
 - Urgent care bill for Peggy - \$615
 - Prescription medicine for Peggy - \$200
 - Insulin for Marcus - \$140
 - Health club fees for Peggy - \$175
 - Doctor visits for Marcus - \$500
- Peggy and Marcus are U.S. citizens and have valid Social Security numbers.



| | | |
|---------------------------------------|---|-------------------------|
| Form 13614-C (October 2017) | Department of the Treasury - Internal Revenue Service Intake/Interview & Quality Review Sheet | OMB Number 1545-1964 |
|---------------------------------------|---|-------------------------|

- You will need:**
- Tax Information such as Forms W-2, 1099, 1098, 1095.
 - Social security cards or ITIN letters for all persons on your tax return.
 - Picture ID (such as valid driver's license) for you and your spouse.
- Please complete pages 1-3 of this form.
 - You are responsible for the information on your return. Please provide complete and accurate information.
 - If you have questions, please ask the IRS-certified volunteer preparer.

Volunteers are trained to provide high quality service and uphold the highest ethical standards.
To report unethical behavior to the IRS, email us at wi.voltax@irs.gov

Part I – Your Personal Information (If you are filing a joint return, enter your names in the same order as last year's return)

| | | | | |
|---|-------------------------------------|---|---|--|
| 1. Your first name PEGGY | M.I. | Last name WALKER | Telephone number YOUR PHONE # | Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 2. Your spouse's first name | M.I. | Last name | Telephone number | Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| 3. Mailing address 65421 SW 17TH ST | | | Apt # | City YOUR CITY |
| State YS | | ZIP code YOUR ZIP | | |
| 4. Your Date of Birth 05/20/1969 | 5. Your job title MANAGER | | 6. Last year, were you: | |
| 7. Your spouse's Date of Birth | | 8. Your spouse's job title | | 9. Last year, was your spouse: |
| 10. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unsure | | 11. Have you or your spouse: | | |
| | | a. Been a victim of identity theft? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| | | b. Adopted a child? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |

Part II – Marital Status and Household Information

1. As of December 31, 2017, were you:

| | |
|---|---|
| <input checked="" type="checkbox"/> Never Married | (This includes registered domestic partnerships, civil unions, or other formal relationships under state law) |
| <input type="checkbox"/> Married | a. If Yes, Did you get married in 2017? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Divorced | b. Did you live with your spouse during any part of the last six months of 2017? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Legally Separated | Date of final decree _____ |
| <input type="checkbox"/> Widowed | Date of separate maintenance agreement _____ |
| | Year of spouse's death _____ |

2. List the names below of:
- everyone who lived with you last year (other than your spouse)
 - anyone you supported but did not live with you last year
- If additional space is needed check here and list on page 3

| | | | | | | | | | | To be completed by a Certified Volunteer Preparer | | | | |
|--|--------------------------|---|---|---------------------|--|--|--------------------------------------|---|--|--|--|--|---|--|
| Name (first, last) Do not enter your name or spouse's name below | Date of Birth (mm/dd/yy) | Relationship to you (for example: son, daughter, parent, none, etc) | Number of months lived in your home last year | US Citizen (yes/no) | Resident of US, Canada, or Mexico last year (yes/no) | Single or Married as of 12/31/17 (S/M) | Full-time Student last year (yes/no) | Totally and Permanently Disabled (yes/no) | Is this person a qualifying child/relative of any other person? (yes/no) | Did this person provide more than 50% of his/her own support? (yes/no) | Did this person have less than \$4,050 of income? (yes/no) | Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A) | Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no) | |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) | (i) | | | | | | |
| MARCUS WALKER | 1/18/1997 | SON | 12 | YES | YES | S | YES | NO | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |

Check appropriate box for each question in each section

| Yes | No | Unsure | Part III – Income – Last Year, Did You (or Your Spouse) Receive |
|-------------------------------------|-------------------------------------|-------------------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? <u>1</u> |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (A) Tip Income? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (B) Scholarships? (Forms W-2, 1098-T) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. (B) Refund of state/local income taxes? (Form 1099-G) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Alimony income or separate maintenance payments? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (A) Self-Employment income? (Form 1099-MISC, cash) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. (A) Payments from Pensions, Annuities, and/or IRA? (Form 1099-R) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. (B) Unemployment Compensation? (Form 1099G) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. (M) Income (or loss) from Rental Property? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | 15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, royalties, foreign income, etc.) Specify <u>HSA Distribution</u> |
| Yes | No | Unsure | Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. Contributions to a retirement account? _____ IRA (A) _____ 401K (B) _____ Roth IRA (B) _____ Other |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Unreimbursed employee business expenses? (such as uniforms or mileage) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. (B) Medical expenses? (including health insurance premiums) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Home mortgage interest? (Form 1098) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (B) Real estate taxes for your home or personal property taxes for your vehicle? (Form 1098) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (B) Charitable contributions? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (B) Child or dependent care expenses such as daycare? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. (A) Expenses related to self-employment income or any other income you received? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. (B) Student loan interest? (Form 1098-E) |
| Yes | No | Unsure | Part V – Life Events – Last Year, Did You (or Your Spouse) |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (A) Have debt from a mortgage or credit card cancelled/forgiven by a commercial lender? (Forms 1099-C, 1099-A) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (A) Buy, sell or have a foreclosure of your home? (Form 1099-A) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Have Earned Income Credit (EIC) or other credits disallowed in a prior year? If yes, for which tax year? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.) |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. (B) Live in an area that was affected by a natural disaster? If yes, where? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. (A) Receive the First Time Homebuyers Credit in 2008? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? _____ |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D? _____ |

Check appropriate box for each question in each section

| Yes | No | Unsure | Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s) |
|-------------------------------------|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 1. (B) Have health care coverage? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A] |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3a. (A) If yes, were advance credit payments made to help you pay your health care premiums? |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return? |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. (B) Have an exemption granted by the Marketplace? |

Visit <http://www.healthcare.gov/> or call 1-800-318-2596 for more information on health insurance options and assistance.

If advance payments of the premium tax credit were paid on your behalf to help pay your health insurance premiums, you should report life changes, such as, income, marital status or family size changes, to your Marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

To be Completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating Minimum Essential Coverage (MEC) for everyone listed on the return.)

| Name (List dependents in the same order as in Part II) | MEC Entire Year | No MEC | Part Year MEC (mark months with coverage) | Exemption (mark months exemptions applies) | Exemption All Year | Notes |
|--|-----------------|--------|---|--|--------------------|-------|
| Taxpayer | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Spouse | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |
| Dependent | | | J F M A M J J A S O N D | J F M A M J J A S O N D | | |

Part VII – Additional Information and Questions Related to the Preparation of Your Return

- Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Service) _____
 - Presidential Election Campaign Fund (If you check a box, your tax or refund will not change)
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund You Spouse
 - If you are due a refund, would you like:
 - Direct deposit Yes No
 - To purchase U.S. Savings Bonds Yes No
 - To split your refund between different accounts Yes No
 - If you have a balance due, would you like to make a payment directly from your bank account? Yes No
 - Have you or your spouse received any letters from the Internal Revenue Service? Yes No
- Many free tax preparation sites operate by receiving grant money. The data from the following questions may be used by this site to apply for these grants. Your answers will be used only for statistical purposes.**
- Other than English, what language is spoken in your home? **NONE** Prefer not to answer
 - Do you or any member of your household have a disability? Yes No Prefer not to answer
 - Are you or your spouse a Veteran from the U.S. Armed Forces? Yes No Prefer not to answer

Additional comments

| | | | | | | |
|--|--|--|---|--|---------------------|------------------|
| a Employee's social security number 441-00-XXXX | | Safe, accurate, FAST! Use  | | Visit the IRS website at www.irs.gov/efile | | |
| b Employer identification number (EIN) 44-100XXXX | | 1 Wages, tips, other compensation 34,620.00 | 2 Federal income tax withheld 2,369.00 | | | |
| c Employer's name, address, and ZIP code WILLIAMS MANUFACTURING 2520 AUSTIN BLVD YOUR CITY, STATE ZIP | | 3 Social security wages 34,620.00 | 4 Social security tax withheld 2,146.44 | | | |
| | | 5 Medicare wages and tips 34,620.00 | 6 Medicare tax withheld 501.99 | | | |
| | | 7 Social security tips | 8 Allocated tips | | | |
| d Control number | | 9 Verification code | | 10 Dependent care benefits | | |
| e Employee's first name and initial Last name Suff. PEGGY WALKER 65421 SW 17TH ST YOUR CITY, STATE ZIP | | 11 Nonqualified plans | | 12a See instructions for box 12 W 600.00 | | |
| | | 13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> | 12b | | | |
| | | 14 Other | | 12c | | |
| f Employee's address and ZIP code | | 12d | | | | |
| 15 State | Employer's state ID number YS 44-100XXXX | 16 State wages, tips, etc. 34,620.00 | 17 State income tax 456.00 | 18 Local wages, tips, etc. | 19 Local income tax | 20 Locality name |

Form **W-2** Wage and Tax Statement

2017

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

CORRECTED (if checked)

| | | | | |
|--|---|---|---|---|
| TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number HEALTHCARE TRUSTEE OF AMERICA 123 MAIN STREET YOUR CITY, STATE ZIP | | OMB No. 1545-1517 2017 Form 1099-SA | | Distributions From an HSA, Archer MSA, or Medicare Advantage MSA |
| PAYER'S federal identification number 44-400XXXX | RECIPIENT'S identification number 441-00-XXXX | 1 Gross distribution \$ 1,630.00 | 2 Earnings on excess cont. \$ | |
| RECIPIENT'S name PEGGY WALKER Street address (including apt. no.) 65421 SW 17TH STREET City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP | | 3 Distribution code 1 | 4 FMV on date of death \$ | |
| Account number (see instructions) | | 5 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/> | | |

Form **1099-SA** (keep for your records) www.irs.gov/form1099sa Department of the Treasury - Internal Revenue Service

HSA Scenario 5: Test Questions

12. The amount of Peggy Walker's health savings account deduction reported on Form 1040, line 25 is \$1,500.
- a. True
 - b. False
13. How much of Peggy's HSA distribution is taxable?
- a. \$0
 - b. \$140
 - c. \$175
 - d. \$315
14. The amount of unreimbursed qualified medical expenses reported on Form 8889, line 15 is \$_____.
15. What is the amount of the additional 20% tax reported on Form 8889, line 17b?
- a. \$0
 - b. \$26
 - c. \$35
 - d. \$65



Health Savings Accounts – Retest Questions

Retest Answer Sheet

Name _____

Instructions: Volunteers with a Basic or Advanced certification may certify on Health Savings Accounts (HSA). HSA is an optional specialty training and certification test available on Link & Learn Taxes. Volunteers must achieve a minimum of 80% to be certified.

CAUTION: The Test scenarios are provided electronically in a PDF format for information purposes only. The questions on the online test may be either from the test or retest. Students should read each question on the online test carefully before answering.

Privacy Act Notice

The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory.

Our legal right to ask for information is 5 U.S.C. 301.

We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers.

Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs.

| Question | Answer |
|------------------------------|-----------------|
| HSA Scenario 1 | |
| 1. | |
| 2. | |
| 3. | |
| HSA Scenario 2 | |
| 4. | |
| 5. | |
| HSA Scenario 3 | |
| 6. | |
| 7. | |
| 8. | |
| HSA Scenario 4 | |
| 9. | |
| 10. | |
| 11. | |
| HSA Scenario 5 | |
| 12. | |
| 13. | |
| 14. | |
| 15. | |
| Total Answers Correct: _____ | |
| Total Questions: | 15 |
| Passing Score: | 12 of 15 |

Directions

These first four scenarios do not require you to prepare a tax return. Read the interview notes for each scenario and use your training and resource materials to answer the questions.

HSA Scenario 1: Leo Williams

Interview Notes

- Leo Williams is single and 45 years old.
- Leo works as an IT manager and his Form W-2 shows wages of \$47,250.
- Leo participated in his employer's self-only coverage High Deductible Health Plan (HDHP) all year.
- Leo does not have any other health coverage.
- Leo has had an HSA for two years.
- Leo's employer contributed \$1,500 in 2017 to Leo's HSA.
- In 2017, Leo's Aunt contributed \$2,000 to Leo's HSA.
- Leo is a U.S. citizen and has a valid Social Security number.

HSA Scenario 1: Retest Questions

1. For Leo to be an eligible individual and qualify for an HSA, which of the following must be true?
 - a. He cannot be claimed as a dependent on someone else's return.
 - b. He must have an HDHP and cannot be enrolled in Medicare
 - c. He cannot have any other health coverage.
 - d. All of the above
2. Where on Form 1040 would Leo report his HSA deduction?
 - a. Payments section
 - b. Income section
 - c. Adjusted Gross Income section
 - d. None of the above
3. Employer contributions to an HSA are reported on an employee's Form W-2.
 - a. True
 - b. False

HSA Scenario 2: Ed and Christine Martinez

Interview Notes

- Ed and Christine are married and will file a joint return.
- Ed is 47 years old, and Christine is 56 years old.
- Both were enrolled in self-only coverage High Deductible Health Plans (HDHPs) through their employers for the entire year of 2017.
- Ed and Christine each have an HSA.
- Both have contributed the maximum amounts to their HSAs in 2017.
- Ed and Christine are both U.S. citizens and have valid Social Security numbers.

HSA Scenario 2: Retest Questions

4. Ed and Christine can have a joint HSA.
 - a. True
 - b. False
5. Because Christine is age 55 or older, she is eligible to increase her HSA contribution by \$_____.

HSA Scenario 3: Judy Young

Interview Notes

- Judy Young is 58 years old.
- Judy is single, is not disabled, and has no dependents.
- In 2017, she had earnings from her job of \$24,300.
- Judy has participated in her employer's self-only HDHP coverage since June 1, 2017 when she started a new job.
- Judy was an eligible individual all year.
- Judy asked the HSA trustee from her previous job to transfer the balance of \$2,000 into the HSA at her new job.
- In 2017, Judy contributed \$975 to her HSA.
- In 2017, Judy took funds from her HSA to pay the following expenses:
 - Insulin \$275
 - Doctor visit \$185
 - Yoga classes \$300
 - Prescription medicine \$225
 - Premiums for COBRA coverage \$425
- Judy is a U.S. citizen and has a valid Social Security number.

HSA Scenario 3: Retest Questions

6. Judy will report her HSA contribution on Form 8889, line 2.
 - a. True
 - b. False
7. Judy will receive Form 1099-SA that reports her HSA distribution.
 - a. True
 - b. False
8. Which of the following expenses will not be included on Judy's Form 8889, line 15?
 - a. Insulin
 - b. Doctor visit
 - c. Premiums for COBRA coverage
 - d. Yoga classes

HSA Scenario 4: Carl and Monica Smith

Interview Notes

- Carl, age 46, and Monica, age 42, are married and will file a joint return.
- They have two children, Adriane and Robert, whom they will claim as dependents on their joint return.
- Monica's cousin, Michael (age 29), came to live with them in July 2017. Michael's gross income was \$4,300. Monica and Carl did not provide over one-half of Michael's support for the year but did pay \$600 of Michael's medical bills in November 2017.
- Carl was enrolled all year in an HDHP with family coverage.
- Carl has had an HSA for four years. He has no other health insurance.
- In 2017, Carl made regular contributions to his HSA totaling \$4,000.
- In 2017, Carl took \$1,800 from his HSA to pay the following medical expenses:
 - \$300 to purchase Monica's eyeglasses (needed for medical reasons).
 - \$725 for long-term care insurance for Carl.
 - \$250 for over-the-counter eye medicine for their son, Robert (no prescription from doctor).
 - \$525 for Adriane's physical therapy sessions.
- Carl, Monica, Adriane, Robert, and cousin Michael are all U.S. citizens and have valid Social Security numbers.

HSA Scenario 4: Retest Questions

9. Carl's HSA deduction amount on Form 1040, line 25, is \$_____.
10. The amount Carl paid for long-term care insurance is a qualified medical expense for HSA purposes.
 - a. True
 - b. False
11. What is the total amount of **unqualified** medical expenses paid by Carl for HSA purposes?
 - a. \$250
 - b. \$1,025
 - c. \$1,550
 - d. \$2,150

HSA Scenario 5: Peggy Walker

Refer to the scenario information for Peggy Walker beginning on page 39.

HSA Scenario 5: Retest Questions

12. The amount Peggy Walker will report on her Form 8889, line 13 is:
- a. \$600
 - b. \$1,500
 - c. \$2,500
 - d. \$3,100
13. Peggy Walker's total income includes a taxable HSA distribution of \$315.
- a. True
 - b. False
14. Which expense is not reported on Form 8889, line 15?
- a. Insulin
 - b. Doctor's visit
 - c. Health club fees
 - d. Prescription medicine
15. Peggy must pay an additional 20% tax on the portion of her HSA distribution that was not used for unreimbursed qualified medical expenses.
- a. True
 - b. False

Link & Learn Taxes

Link & Learn Taxes is web-based training designed specifically for VITA/TCE volunteers. Each volunteer's ability to prepare complete and accurate returns is vital to the credibility and integrity of the program. Link & Learn Taxes, as part of the complete volunteer training kit, provides the path to achieving this high level of quality service.

Link & Learn Taxes and the printed technical training kit, Publication 4480, work together to help volunteers learn and practice.

Link & Learn Taxes for 2017 includes:

- Access to all VITA/TCE courses
- Easy identification of the VITA/TCE courses with the course icons
 - As you progress through a lesson, the content for Basic, Advanced, Military, or International will display, depending on the level of certification you selected
- PowerPoint presentations that can be customized to fit your classroom needs
- VITA/TCE Central to provide centralized access for training materials and reference links
- The Practice Lab
 - Gives volunteers practice with an early version of the IRS-provided tax preparation software
 - Lets volunteers complete workbook problems from Publication 4491W
 - Lets volunteers prepare test scenario returns for the test/retest



Go to www.irs.gov, type “Link & Learn” in the Keyword field and click Search. You’ll find a detailed overview and links to the courses.

FSA (Facilitated Self Assistance) empowers taxpayers to prepare their own returns with the assistance of a certified volunteer. Taxpayers complete their own returns using interview-based software supplied by leaders in the tax preparation industry. Volunteers assist taxpayers with tax law and software questions.

Virtual VITA allows partners to initiate the intake process for taxpayers in one location, while utilizing a certified volunteer to prepare the return in an entirely different location. By incorporating this flexibility, partners can provide taxpayers with more convenient locations to file their taxes.

For more information contact your SPEC Relationship Manager to see if you should start a FSA or Virtual VITA site in your community.



www.irs.gov

Your online resource for volunteer and taxpayer assistance

Partner and Volunteer Resource Center

<https://www.irs.gov/Individuals/Partner-and-Volunteer-Resource-Center>

- What's Hot!
- Site Coordinator's Corner

Quality and Tax Alerts for IRS Volunteer Programs

<https://www.irs.gov/Individuals/Quality-and-Tax-Alerts-for-IRS-Volunteer-Programs>

- Volunteer Tax Alerts

Volunteer Training Resources

<https://www.irs.gov/Individuals/Volunteer-Training-Resources>

Outreach Corner

<https://www.irs.gov/Individuals/Outreach-Corner>

Tax Trails for Answers to Common Tax Questions

<https://www.irs.gov/Individuals/Tax-Trails-Main-Menu>

Online Services and Tax Information for Individuals

<https://www.irs.gov/Individuals>

File Your Return

- Direct Deposit your refund

Make a Payment

- Direct Pay
- Other ways you can pay
(Electronic funds withdrawal,
debit and credit card, and
IRS2Go)

Manage Your Tax Info

- Withholding Calculator
- Answers about the Health Care Law
- Protect your identity

After You File

- Where's My Refund?
- Get Transcript

eBooks

Want to view our training products on your mobile or tablet devices? Click here to access our eBooks: <https://www.irs.gov/Individuals/Site-Coordinator-Corner>.

Mobile App

Another device to use for additional information is IRS2Go. Click here to download IRS2Go mobile app: <https://www.irs.gov/uac/irs2goapp>.

and much more!

Your direct link to tax information 24/7:

www.irs.gov