

Handling HSAs After Death of HSA Owner

Spouse Beneficiary

Rule: HSA automatically becomes the HSA of the surviving spouse beneficiary at the time of the original HSA owner's death.

Procedures:

1. Surviving spouse must establish an HSA (if he/she does not already have one established).
2. Complete HSA-to-HSA transfer (unreportable transaction) into surviving spouse's own HSA.
3. Surviving spouse must complete IRS Form 8889 as the HSA owner, and file with his/her tax return.

Note: Any distributions after the original HSA owner's death (from either HSA) are reported as received by the surviving spouse with Code 1, *Normal*, in Box 3 of Form 5498-SA.

Nonspouse Beneficiary (other than HSA owner's estate)

Rule: HSA ceases to be an HSA as of the HSA owner's death.

Procedures:

1. Distribute HSA balance to the nonspouse beneficiary.
2. Report distribution on Form 1009-SA.

☐ CORRECTED (if checked)

TRUSTEE'S PAYER'S name, street address, city, state, and Zip Code		OMB No. 1545-1517		Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
		Form 1009-SA		
PAYER'S Federal Identification No.	RECIPIENT'S Identification No.	1 Gross Distribution \$	2 Earnings on excess cont. \$	Copy B For Recipient
RECIPIENT'S Name		3 Distribution Code	4 FMV on date of death \$	
Street Address (including apt. no.)		5 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		This information is being furnished to the Internal Revenue Service.
City, State, and Zip Code				
Account Number (see instructions)				

Form 1009-SA (keep for your records) Department of the Treasury - Internal Revenue Service

	<u>Distribution in Year of Death</u>	<u>Distribution After Year of Death</u>
Box 1	Gross distribution amount	Gross distribution amount
Box 3	Code 4, <i>Death distribution other than Code 6</i>	Code 6, <i>Death distribution after year of death to a nonspouse beneficiary</i>
Box 4	Fair market value on date of HSA owner's death	Generally, the fair market value on date of HSA owner's death

3. Nonspouse beneficiary must complete and file IRS Form 8889 with tax return.
4. Nonspouse beneficiary must include fair market value of HSA in his/her income for the year of the HSA owner's death.

Note: The amount includible in income by a nonspouse beneficiary may be reduced by any payments for any of the deceased HSA owner's qualified medical expenses if paid within one year of the HSAs owner's death.

5. Any post-death earnings are to be reported as income by nonspouse beneficiary on his/her tax return.

Estate beneficiary

Rule: HSA ceases to be an HSA as of the HSA owner's death.

Procedures:

1. Distribute HSA balance to HSA owner's estate.
2. Report distribution on Form 1099-SA.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-1517	
TRUSTEE'S PAYER'S name, street address, city, state, and Zip Code		Form 1099-SA	
PAYER'S Federal Identification No.	RECIPIENT'S identification No.	1 Gross Distribution \$	2 Earnings on excess cont. \$
RECIPIENT'S Name Street Address (including apt. no.) City, State, and Zip Code		3 Distribution Code	4 FMV on date of death \$
Account Number (see instructions)		5 HSA <input type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>	This information is being furnished to the Internal Revenue Service.

Form **1099-SA** (keep for your records) Department of the Treasury - Internal Revenue Service

Distribution in Year of Death

- | | |
|--------------|---|
| Box 1 | Gross distribution amount |
| Box 3 | Code 4, <i>Death distribution other than Code 6</i> |
| Box 4 | Fair market value on date of HSA owner's death |

3. Executor must complete and file IRS Form 8889 with tax return.
4. Date of death fair market value must be included in deceased HSA owner's final tax return.
5. Any post-death earnings must be reposted as income on tax return.