

Health Savings Account (HSA) Contributions and Mid-Year Changes

Your eligibility to make contributions to an HSA can change mid-year for many reasons. Maybe you added or dropped an HSA qualifying high deductible health plan (HDHP) because you started a new job, enrolled in Medicare, or simply because you work for an employer whose benefits renew mid-year. As a result, you may need to prorate your HSA contribution limit.

Calculating contribution limits.

HSA contribution limits are determined on a calendar/tax-year basis. IRS rules state that contribution limits must generally be prorated by the number of months you are eligible to contribute to an HSA. Your eligibility is based on your coverage status on the first day of the month.

To calculate your personal contribution limit:

1. Take the total annual contribution
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

Calculating contribution limits for the catch-up if age 55 and up.

Catch-up contributions are also subject to the proration and last-month rules. In general, and unless the last-month rule applies, an individual must be eligible for 12 months to contribute the total annual catch-up contribution (\$1,000).

To calculate the catch-up contribution

1. Take the total available catch-up contribution amount (\$1,000) and add it to your annual contribution limit based on your coverage type (individual or family).
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

For example, if you are enrolled in Medicare on July 1, 2022 and are no longer eligible to contribute to this HSA, you calculate your catch-up contribution amount as follows: $(6 \times \$287.50) + (6 \times \$575) = \$5,175$

Prorating and applying the last month rule when switching coverage type mid-year.

If you change coverage from individual to family mid-year you are able to contribute the full-family maximum amount that year, as long as you maintain family coverage during the testing period which begins with the last month of the tax year and ends on the last day of the 12th month following that month (for example, December 1 through December 31 of the following year).

But, what if in July you changed from family coverage to individual coverage for the remainder of the year? You are able to contribute more than the individual maximum contribution, but less than the family maximum contribution.

To calculate your contribution limit you would:

1. Take the number of months you'll have individual coverage multiplied by the total annual individual contribution limit divided by 12.
2. Add that amount to the number of months you'll have family coverage multiplied by the total annual family contribution limit divided by 12.

PRORATED CONTRIBUTION LIMITS FOR 2023

Number of Months	Individual	Family
12 Months	\$3,850.00	\$7,750.00
11 Months	\$3,529.16	\$7,104.16
10 Months	\$3,208.33	\$6,458.33
9 Months	\$2,887.50	\$5,812.50
8 Months	\$2,566.66	\$5,166.66
7 Months	\$2,245.83	\$4,520.83
6 Months	\$1,925.00	\$3,875.00
5 Months	\$1,604.16	\$3,229.16
4 Months	\$1,283.33	\$2,583.33
3 Months	\$962.50	\$1,937.50
2 Months	\$641.66	\$1,291.66
1 Month	\$320.83	\$645.83