

Health Savings Account (HSA) Eligible/Ineligible Expenses

Funds you withdraw from your HSA are tax-free when used to pay for eligible medical expenses as described in Section 213(d) of the Internal Revenue Service Tax Code. These expenses must not have been reimbursed previously by any other coverage, such as your Flexible Spending Account. In general, the IRS requires that expenses must be for the diagnosis, cure, mitigation, treatment or prevention of disease, and for treatments affecting any part or function of the body. A list of these expenses is available on the IRS Web site, www.irs.gov in IRS Publication 502, "Medical and Dental Expenses," or can be ordered directly from the IRS at **1-800-TAX-FORM**.

If you pay for anything other than eligible medical expenses with your HSA funds, the amount will be taxable, and you will pay an additional 10 percent tax penalty. The tax penalty does not apply if you are age 65 or older or disabled, but the amount must be reported as taxable income.

The following list provides examples of eligible and ineligible medical expenses. This list is not all-inclusive. Remember, the IRS may modify its list of eligible expenses from time to time. As always, consult your tax advisor should you require specific tax advice.

Eligible medical expenses may include:

- Acupuncture
- Alcoholism treatment
- Ambulance
- Artificial limb
- Artificial teeth
- Breast reconstruction surgery (mastectomy-related)
- Chiropractor
- Contact lenses and solutions
- Cosmetic surgery (if due to trauma or disease)
- Dental treatment (X-rays, fillings, braces, extractions, etc.)
- Diagnostic devices (such as blood sugar test kits for diabetics)
- Doctor's office (including physicians, surgeons, specialists or other medical practitioners) visits and procedures
- Drug addiction treatment
- Drugs, prescription
- Eyeglasses and exams (for medical reasons)
- Eye surgery (such as laser eye surgery or radial keratotomy)
- Fertility enhancements
- Hearing aids (and batteries for use)
- Hospital services
- Laboratory fees
- Long-term care (for medical expenses and premiums)
- Nursing home
- Nursing services
- Operations/surgery (excluding unnecessary cosmetic surgery)
- Osteopath
- Over-the-counter (OTC) medical expenses for items used solely to treat a medical condition (such as aspirin, pain relievers, decongestants, cough suppressant, etc)
- Physical Therapy
- Psychiatric care
- Psychologist
- Special education (for learning disabilities)
- Speech Therapy
- Stop-smoking programs (including nicotine gum or patches)
- Vasectomy
- Weight-loss program (to treat a specific disease diagnosed by a physician)
- Wheelchair

Ineligible medical expenses may include:

- Advance payment for future medical care
- Amounts reimbursed from any other source (such as other health coverage or a Flexible Spending Account)
- Babysitting, child care and nursing services for a normal, healthy baby
- Betting (including lottery, gaming, chips, or track wagers)
- Cosmetic surgery (unless due to trauma or disease)
- Diaper service
- Electrolysis or hair removal
- Funeral expenses
- Gasoline
- Health club dues
- Household help
- Illegal operations and treatments
- Maternity clothes
- Meals
- Nutritional supplements
- Over-the-counter drugs and medicines other than those used exclusively for medical purposes
- Personal use items (such as toothbrush, toothpaste)
- Swimming lessons
- Teeth whitening
- Weight loss program (unless prescribed to treat a specific disease)