

# Comparing HSA's, HRA's & FSA's

## A Brief Overview - 2009

<b>Feature</b>	<b>Federal Health Savings Account (HSA)</b>	<b>Health Reimbursement Arrangement (HRA)</b>	<b>Flexible Spending Account (FSA)</b>
<b>Overview</b>	A tax-exempt trust or custodial account created exclusively to pay for the qualified medical expenses of the account holder and their dependents.	An employer-funded account that reimburses employees for qualified medical care expenses, typically combined with a high deductible health plan.	A pre-tax account that can be setup to reimburse qualified medical expenses.
<b>Who is eligible to setup an account?</b>	Individual covered by a qualified high deductible health plan minimum (\$1,150 single/\$2,300 family deductible in 2009).	Employees whose employer offers an HRA.	Employees whose employer offers an FSA.
<b>Who may contribute to the account?</b>	The employee, employer, or both.	Solely the employer.	The employee, employer, or both. Typical FSA plans are contributed 100% by the employee.
<b>What are the limits of contributions?</b>	Up to 100% of the deductible amount of the accompanying high deductible health insurance policy. 2009 maximum is \$3,000 for an individual account and \$5,950 for a family account.	No federal income tax law limits. Employers typically set limits.	No federal income tax law limits. Employers typically set limits.
<b>What is the tax treatment of contributions?</b>	Contributions are tax deductible, excluded from gross income, and not subject to employment taxes (e.g., FICA).	Employer contributions are generally excluded from employee's gross income.	Contributions are tax deductible, excluded from gross income, and not subject to employment taxes (e.g., FICA).
<b>Can funds be carried over from one year to the next?</b>	Yes.	Yes, subject to any limits set by the employer.	No, unused balances are forfeited at the end of the plan year. <i>(Note: Employer can elect 2½ month carryover grace period.)</i>
<b>Are accounts portable?</b>	Yes.	Possibly - Only at the discretion of the employer.	No.
<b>Does interest accrue on funds?</b>	Yes, interest and investment income accrue tax-free.	Typically, no. Some employers choose to credit interest to HRA accounts, but this is rare.	No.
<b>What expenses are eligible?</b>	Based upon IRS definition of eligible expenses (section 213(d)). Funds used for ineligible purposes incur a penalty (before age 65) and are taxed as income.	Based upon IRS definition of eligible expenses (section 213(d)). Employers can define a subset of expenses eligible for payment.	Based upon IRS definition of eligible expenses (section 213(d)).

**BLUFF HEAD  
ENTERPRISES, INC.**

105 Main Street  
Wakefield, RI 02879

Phone: 401-782-1250  
Fax: 401-789-3867

Email: [sslade@bluffhead.com](mailto:sslade@bluffhead.com)

