Health Savings Accounts (HSAs)

Configuring, Tracking and Monitoring HSA Accounts for Your Members in CU*BASE

INTRODUCTION

This booklet describes the various configuration, maintenance, inquiry and reporting features available in CU*BASE for HSA processing.

The booklet is intended to be an overview; also refer to CU*BASE GOLD Online Help. Click i while working in these screens for additional instructions, field descriptions and other details.)

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OVERVIEW

WHAT IS AN HSA?

What is a Health Savings Account? Simply put, it is a special savings account to be used for medical expenses. There are unique tax advantages with these types of accounts, including tax deductions for contributions, tax-free withdrawals for medical expenses, automated carryover of funds from one year to the next, and more. HSAs are offered by employers as a way to lower health insurance premiums through a "High Deductible Health Plan" (HDHP), and HSA accounts are portable, so the member can keep the account even when he changes jobs.

Of course that's just the tip of the iceberg. Just like your credit union's IRA program, there is a lot more to offering HSAs to members than just a set of CU*BASE tools. You will need an HSA expert on your staff, much like you probably have an IRA expert now, to learn the nuances of the regulations and help you set up and monitor a program that will comply with the necessary requirements, work well for your members, and be a successful business strategy for your credit union.

> *This booklet covers how to use CU*BASE tools to track your credit union's HSA program, and our Client Service team can provide assistance when you are ready to begin configuring your HSA products. Although we do not have the expertise to advise you on how your HSA program should be set up or administered, we are always ready to help you with anything related to specific CU*BASE tools!*

HSAs IN CU*BASE

Although HSAs and IRAs are quite different, the need to track their transaction amounts and annual deposit and withdrawal totals is similar, so they are similar in a lot of ways. Like IRAs, CU*BASE tools are designed to allow you to open accounts, assign deposit and withdrawal codes to individual transactions, verify balances in an HSA Balance File (similar to the IRA Balance File concept), and handle annual tax-related responsibilities.

In CU*BASE, HSAs are dividend applications or certificate types that have a special flag turned on. When the flag is activated, CU*BASE knows to create an HSA Balance File record for every member that has an HSA account, and any transactions that are posted must be coded with a valid HSA deposit or withdrawal code, similar to IRAs. Default annual deposit limits can be specified for both single and family plans, and can be adjusted at the membership level to handle special situations.

While the name HSA implies savings accounts, you can create these products using **either the SH (share) or SD (share draft/checking) Application Type**. For members who do not need HSA funds to be readily available for day-to-day purchases, CU*BASE also allows you to set up special **certificate type** codes for HSAs.

HSA Accounts with Debit Card Access

If you want to use a debit card on an HSA Account, a new HSA BIN is required. First contact your vendor for the configuration and setup of this new BIN. Once the vendor has setup the new BIN, contact a Client Services Representative to request a project sheet be submitted to add the new BIN to CU*BASE. Order the card by selecting the HSA BIN; this ensures only the HSA account type will be attached. A separate account base for the HSA card is not required since multiple BINs per account base are now supported.

THINGS TO KEEP IN MIND

- Unlike IRAs, for HSA accounts the member can name separate **beneficiaries** for each individual HSA account he or she owns. Beneficiaries are recorded and handled exactly the same as on any other ordinary savings/checking account or certificate.

- There is only one **HSA Balance File** record per membership (MASTER) record, unlike IRA balance file where there is one per IRA plan type. If a member has multiple savings, checking, and/or certificate accounts, all data feeds into the same HSA balance file.

- Retention of **transaction history** will be the same as for IRA accounts. (This is configured for your credit union using CU Master Parameters, and is usually set to 18 months.)

- When creating **custom Queries**, keep in mind that HSA savings/checking accounts do not have an equivalent of the IRAFLG field in the MEMBERx account files. This means the only indication that an account is an HSA will be the DIVAPL. There is a special HSA flag on the CD Type for certificates, however, and a corresponding HSA code on the MEMBER3 account record. Transaction records (TRANSx) do have an indicator showing I for IRA or H for HSA (field name TRIHFG) as well as a separate field for the transaction posting code (TRIHPC).

- **ACH distributions** can be set up to and from HSA accounts, but there is no way to control the transaction posting codes: All transfers will be coded as normal current-year contributions (deposits) or normal current-year distributions (withdrawals). So be careful: if you happen to use an HSA account as the base account (seq 99) and you also have distributions from that account to *another* of the member's HSA accounts (such as from an HSA savings to an HSA checking account), the HSA balance file would show duplicate deposit/withdrawal transactions instead of non-reportable transfers, and would need to be manually adjusted to keep the HSA balance file totals correct. (For transfers between HSA accounts, it is better to use AFTs so that you can specify the proper posting codes.)

- If you plan to allow **debit card access** to an HSA checking product, be aware there will be special considerations such as the need for a unique BIN and specially-imprinted card stock. So plan ahead (Visa might want as much as 60-90 days lead time)!

- If you offer HSA checking accounts, you can use normal **overdraft protection** features as with any other checking product. However, you can NOT protect a non-HSA checking account using funds from an HSA

account, as that would not constitute a valid medical expense. (Other combinations are still allowed: protecting an HSA checking account with a non-HSA savings or checking account, or protecting an HSA checking account with another HSA checking or savings account.)

- **Fees and service charges** that are paid from an HSA account will be classified as normal distributions. Exception: **early-withdrawal penalties** from an HSA certificate are coded as non-reportable (HSA posting code 9). If you want to change this notation, you will need to manually update the transaction post code later using the instructions on Page 21.

- If your state is one that does not recognize HSAs as tax-deferred, members would need to report interest earned on HSA accounts on their **state income tax return**. This can be reported to the member on their statement by activating the "YTD Dividends" option for member statements. Contact a CSR if you need to change this configuration. (Self Processors can set this flag using the "Member Statement Config" command on menu MNOP09.)

- **If a member dies**, you can use the HSA Balance File Maintenance feature to manually record the Fair Market Value as of the date of death (see Page 17).

- At this time it is not possible to offer HSA certificates to be purchased online via the **Online Banking Rate Board**. You can include them on your rate board as information only, but an employee must handle actually opening the accounts.

HSA Contribution Limits

Similar to IRA certificates, HSA certificates will be considered part of the member's overall HSA "plan" to include any savings, checking and certificate account suffixes under the membership record. **Annual contribution limits** are controlled by that HSA balance file record.

Default annual contribution limits are configured as described on Page 10. When a member opens his or her first HSA account of any type, you will need to choose a plan type (Single or Family) and fill in the appropriate annual contribution limit, using the defaults as a guideline. This limit is stored as part of the member's HSA Balance File record and governs all HSA account suffixes (savings, checking and certificates) under that membership. (See Page 15 for more information about the HSA Balance File.)

- Since **annual contribution limits** are dependent on a number of factors such as the HDHP deductible or the member's age, the system will not automatically define a deposit limit when new accounts are opened. As shown on Page 11, the default limits will be displayed, but the MSR or teller will need to fill in the appropriate amount. Make sure your staff is trained on how to handle any exceptions. *Remember that you can adjust the limit for an individual member later via the HSA Balance File Maintenance feature (see Page 16).*

- **Catch-up contribution amounts** are not automatically added for brand-new HSA account holders, but from that point on will be added automatically each year when new HSA Balance File records are created during year-end processing, based on the member's age for that tax year.

- As with IRAs, there is a warning for **excessive contributions** in interactive posting programs such as teller posting and transfers, but not for batch processes such as ACH and share drafts, nor for the Direct/Mail Post feature. **So you'll need to review the daily report** and handle any accounts that have gone over their annual contribution limits. Also see Pages 18 and 22.

- The only time dividends earned must be reported to the IRS for HSA accounts is if the account holder deposits more than the maximum allowed in a year. In that case, the member is responsible for reporting **earnings on the excess contribution** amount to the IRS. There is currently no way for CU*BASE to track excess amounts and separate the dividends that apply just to the excess. According to IRS regulations, the account holder is ultimately responsible, but your credit union can also adjust the HSA Balance File to record excess earnings that you manually calculate (see Page 17).

    > *This means that if you pay dividends on your HSA products, it is very important that you monitor carefully to know when deposits cause a member to go over his annual limit. Review related notes on Pages 18 and 22.*

CONFIGURING HSA PRODUCTS

DIVIDEND APPLICATION CONFIGURATION

Savings/Checking Products Configuration (Tool #777)
General Account Information Tab

HSA products can be either a savings (SH) or checking (SD) application type only (not IR or TX).

Dividend Information Tab

If this savings or checking product should behave like an HSA account, place a checkmark in the *HSA* field as shown in the sample above. Also remove the checkmark from the *Report dividends to the IRS* flag (shown on the screen on the previous page), because HSA earnings are tax free (see the notes on Page 6 regarding reporting earnings on excess contributions).

> *NOTE: Some states do not recognize HSAs as tax-deferred, so interest earned on the account will need to be reported on a member's state income tax return. This can be reported to the member on their statement by activating the "YTD Dividends" option for member statements.*
>
> *Contact a CSR if you need to change this configuration. (Self Processors can set this flag using the "Member Statement Config" command on menu MNOP09.)*

CD TYPE CONFIGURATION

Certificate Products Configuration **(Tool #194) > Certificate type**

To designate this as an HSA product, choose HSA here.

Also remove the checkmark from the *Report dividends to IRS* box.

Renewals must be to another HSA product.

Members cannot change renewal codes on HSA certificates.

To designate this as an HSA product, choose HSA as the *IRA/HSA* setting. Also remove the checkmark from the *Report dividends to the IRS* flag (shown on the screen on the previous page), because HSA earnings are tax free (see the notes on Page 6 regarding reporting earnings on excess contributions).

HSA certificates products can be set up as add-on and/or bump-rate CDs, but cannot be set up for principle distributions. Defaults for auto-renewals must be to another HSA product. Online banking is not set up to allow renewal code changes for HSAs, so make sure the *Allow member to change renewal code on existing account via online banking* is unchecked.

> TIP: While it is theoretically possible to change an existing certificate type to an HSA product, to avoid unintended consequences and make it easier to analyze your certificate portfolio, we highly recommend you create your HSA certificate products as new, separate CD types.

SETTING DEFAULT DEPOSIT LIMITS

Set HSA Annual Deposit Limits **(Tool #811)**

Use this screen to set the default annual deposit limits and catch-up contribution settings for HSA accounts, for both the Single and the Family type.

Remember that these limits are used ONLY when opening new accounts, or when creating balance file records for the next tax year as part of year-end processing. **Changes made here will only affect *new* accounts created from that point on.**

Default deposit limits are displayed on the account opening screen (see Page 11) so that staff will know the standard limits that are currently in place. However, because a member's actual limit is determined by many factors, it is up to the person opening the member's first HSA account to specify the appropriate limit for that member's account.

> *NOTE: Catch-up contribution limits are used only during the annual beginning-of-year cycle for creating new balance file records for existing HSA account holders. This additional limit will not automatically be added at the time the member is opening their first HSA account.*

> *NOTE: Since the IRS does occasionally change these limits, your defaults will automatically be updated to the new limits during beginning-of-year processing. **The new defaults WILL override any manual changes you have made to individual accounts, however.** So that means that you will need to keep a list of those members who have special circumstances that make their limits different from other members, and update their new balance file records each year after January 1st. Refer to the Year-End Processing Guide for more details.*

HSA ACCOUNTS

OPENING AN HSA SAVINGS OR CHECKING ACCOUNT

Open/Maintain Memberships/Accounts (Tool #3) > Add New Sub-Account >
HSA Savings

Choose the appropriate HSA Type (Single or Family). Then enter the annual deposit limit based on this particular member's situation. Notice that the default limits from your configuration (Page 10) are shown as reference. *These do NOT include catch-up amounts, however.*

Beneficiaries are recorded and handled exactly the same as on any other ordinary savings or checking account.

HSA Checking

OPENING AN HSA CERTIFICATE

Open/Maintain Memberships/Accounts (Tool #3) > Add New Sub-Account >
Open CD > HSA Certificate

Screen 1

If creating a new HSA certificate, an appropriate HSA code must be specified. Likewise, if funds are being pulled from an existing HSA savings or checking account to fund the CD, a withdrawal HSA code must also be chosen.

Screen 2

Choose the appropriate HSA Type (Single or Family). Then enter the annual deposit limit based on this particular member's situation. If the member already has an HSA savings or checking account, the setting from this year's balance file record will be filled in automatically. (Remember there's just one balance file record for all of this member's HSA accounts.)

If transferring dividends to another account, the other account must be an HSA savings or checking account. HSA posting code "V" (dividends paid) will be used when dividends are posted.

When auto-renewing, the CD type must be an HSA product. Transfer renewals must also be set up to another HSA product.

Renewals on HSA certificates can be set up ONLY to another HSA product. So if using the **Auto Renew** option, the *Renewal CD type* must be an HSA certificate type. If using the **Transfer** option, the transfer/redemption account must be an HSA savings or checking product.

> *DATA TIP: Unlike savings or checking accounts where the DivApl is the only indication of an HSA product, for HSA certificates there will be a flag in the account record designating this as an HSA account (file/table: MEMBER3; column/field: HSAFLG).*

HSA ACCOUNT INQUIRY

Savings or Checking Account Inquiry *(sample shown is for checking)*

Use IRA/HSA (F18) to see an inquiry-only version of the HSA Balance File maintenance screens shown starting on Page 14.

Certificate Account Inquiry

This is the Account Detail screen used to display detailed info about a certificate account, including IRA and HSA certificates.

REDEEMING HSA CERTIFICATES

Close Memberships/Accounts **(Tool #22) > Redeem certificates**

Redemptions from an HSA certificate require an appropriate HSA withdrawal code. If funds are being transferred to an HSA savings/checking account, or used to create another HSA certificate, an appropriate HSA deposit code is also required.

> NOTE: It is not possible to transfer funds from an HSA certificate to an IRA savings account or IRA CD.

THE HSA BALANCE FILE

The HSA Balance File tracks all deposit and withdrawal amounts for a member's HSA accounts for an entire year, and is used for reporting member tax information. The HSA Balance File is cleared and a new one created for all members with one or more HSA accounts during beginning-of-year processing each year.

HSA Balance File records are created when a member opens his or her first HSA savings, checking, or certificate account. When posting transactions, if for any reason an HSA Balance File record does not exist, CU*BASE will create one for that member, using the "S" single type code and default deposit limit. (This can later be adjusted for a particular member as described below.)

All activity is combined into the same balance file, regardless of the number of individual HSA savings/checking and certificate accounts under that membership. The HSA Balance File is stored by account base, not by SSN/TIN.

> *There is only one HSA Balance file per membership (MASTER) record, unlike IRA balance file where there is one per IRA plan type. If a member has multiple HSA sub-accounts, all data feeds into the same HSA balance file.*

Following is a simple graphical example of a member who has HSA savings, checking, and certificate accounts:
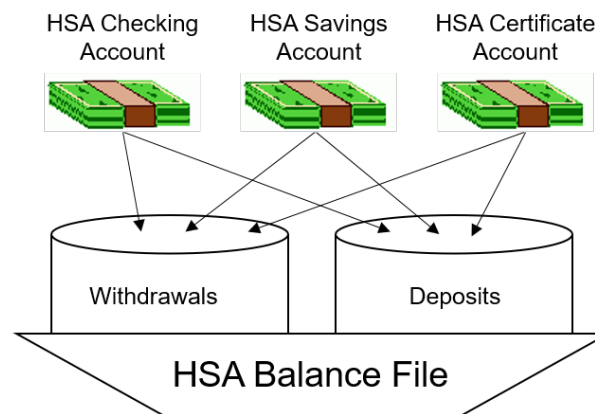
Deposits and withdrawals on both accounts are summarized in a single HSA balance file record. Balance file totals are updated immediately whenever a transaction is posted to a member account.

HSA BALANCE FILE CREATION AND MAINTENANCE

As activity occurs throughout the year on a member's HSA accounts, it may be necessary to modify information stored in the HSA balance file, to ensure that tax reporting is done correctly.

> *HINT: These same screens in a "VIEW" mode will also be used for Inquiry, as accessed via "IRA/HSA" (F18) on savings and certificate Account Inquiry screens (shown on Page 13).*

Update HSA Balance Information (Tool #893)

Screen 1

Enter the account number of the HSA account you want to update and press Enter.

> *NOTE: If for some reason you need to manually create an HSA Balance File record for a member (CU*BASE will usually create one for you, but there may be cases where you need to set one up manually), use **Add HSA Balance Rec** (F6) from this screen. (If creating a new HSA balance file for a closed account, make sure to enter the closed account sequence number recorded in MSHIST.) Using this function key will take you directly to Screen 3.*

Screen 2

Redemption value is a calculated field:
Current balance + Accrued dividends

Use HDHP Information (F12) to enter optional information about the member's HSA account, including insurance company, deductible amount, or other notes. See Page 17 for a sample of the screen that will appear.

Year	Beginning Balance	Contributions	Distributions	Net Transactions	Year-End Balance
2019	9,299.61	1,475.81	1,804.92	329.11-	0.00
2018	8,978.83	2,952.45	2,631.67	320.78	9,299.61
2017	9,874.47	2,948.70	3,844.34	895.64-	8,978.83
2016	9,452.26	2,957.07	2,534.86	422.21	9,874.47
2015	8,946.56	3,204.54	2,698.84	505.70	9,452.26
2014	7,826.79	2,944.39	1,824.62	1,119.77	8,946.56
2013	6,588.54	2,932.52	1,694.27	1,238.25	7,826.79
2012	5,609.19	2,879.82	1,900.47	979.35	6,588.54
Totals		22,295.30	18,933.99		3,361.31

This second screen displays records for each tax year during which the member had an HSA account. The *Year-end balance* column will show the balance as of December 31 and is the same as the Fair Market Value reported for that year. Select any year in the list and use Enter or Select to proceed:

Screen 3

IMPORTANT: A change made to the HSA Type here will NOT alter the member's annual contribution limit. This must be done manually using the field at the bottom of the screen.

Earnings on excess contributions, if any, must be manually calculated and entered here in order to be reported on tax forms.

This must be manually updated to record the account balance as of the member's date of death.

This screen shows totals for all of the deposit and withdrawal activity, separated by HSA Code. When in "CHANGE" mode for updating balance file amounts, using Enter will automatically recalculate all screen totals so you can quickly see if the figures entered add up properly. When done, you must use **Add/Update** (F5) to save all of the changes made. (One confirmation message will appear.)

If a balance file is created by mistake, **Delete** (F16) lets you completely remove the balance file with all of its totals from the system. There will be one confirmation message.

HDHP Information (F12)

This screen appears when you use "HDHP Information" (F12) on the initial HSA Balance File Information screen (shown on Page 16).
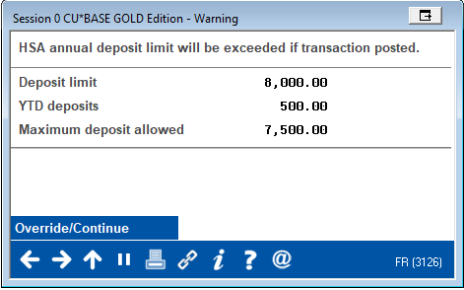
This screen is used to record optional information about the member's HSA account. All data is informational only; no process will look at this information (for example, the annual contribution limit on the HSA balance file will not check against this deductible amount).

Use ***Save/Update*** (F5) to save any changes and return to the previous screen. (One confirmation message will appear.)

HSA BALANCE LIMIT WARNING MESSAGES

CU*BASE will provide interactive, online warnings when a deposit will cause a member to exceed his or her annual limit on an HSA account.

The following direct post programs will read the member's HSA Balance File and display a warning pop-up window showing the amount that would exceed the limit:

- Teller Posting
- Transfers (Teller, Member Service, Phone)
- Account Adjustments (regular and coded)
- Opening/Redeeming an IRA Certificate
- Wire Transfers (Member Service, Phone)

IMPORTANT: Batch posting programs such as ACH will still post regardless of the deposit limit. This is also true of member-initiated postings such as ATM deposits/withdrawals and audio response/online banking transfers. It is also true of Mail/Direct Post because of that feature's ability to post to multiple accounts from the same screen.

Therefore, one of your daily tasks will be to monitor the daily HSA Balance File Transaction Exception Report for any miscellaneous activity that causes the deposit limit to be exceeded. See Page 22 for details about this daily report.

When the warning appears, you can choose to back up and change the deposit amount, or, if you do not want your tellers to have to counsel your members on the spot, you can override and post the deposit and it will appear on the daily report, to be handled by the appropriate back office personnel.

NOTE ON PRIOR YEAR CONTRIBUTION ON AN ACCOUNT CREATED FROM JANUARY TO APRIL OF THE FOLLOWING YEAR:

If an HSA account is created from January to April and the member makes a prior year contribution, you will see the warning screen above with zeros as the deposit limit. This is due to the fact that a balance file has not been created for the prior year and no maximum limits have been configured. In these situations, simply use the **Override/Continue button**. The payment will be applied to the correct year/bucket (for the previous year) on the current year's balance file.

HSA TRANSACTION CODES

Similar to how IRA transactions are handled, CU*BASE will need to record an HSA posting code on every deposit or withdrawal transaction that is posted on an HSA savings or checking account. This will be recorded in field TRIHPC in TRANS*x* and HTRANS*x* records.

> *CU*TIP: This same field is used for the IRA posting code on IRA accounts and can be used for Query purposes as needed.*

You will use the *IRA/HSA code* field on various CU*BASE screens to enter an appropriate deposit or withdrawal for each transaction posted. For example, when using Teller Processing, use the IRA code column to enter the appropriate HSA deposit or withdrawal code:

Likewise, when posting something like a phone or journal transfer, you'll need to specify either the deposit or withdrawal code for the HSA account:

For any programs where a posting code cannot be entered (such as when checks clear on an HSA checking account or if transfers are done in audio response or online banking, etc.), CU*BASE will automatically mark the transaction record as follows:

- ♦ Deposits will use the code for a normal current-year deposit
- ♦ Withdrawals will use the code for a normal current-year withdrawal

HSA POSTING CODES LOOKUP

As mentioned above, CU*BASE will help you fill in transaction posting codes (not only for HSAs, but for IRA accounts as well). Current posting codes will

be recorded in a global configuration file in CU*BASE and updated on an annual basis according to IRS guidelines.

Lookup buttons will be available from CU*BASE posting programs such as:

- Teller Processing
- Direct/Mail Post *(TIP: Use the field in the 'IRA' column.)*
- Loan Disbursements
- Account Adjustments
- Phone and Member/Journal Transfers, including Wire Transfers
- Configurations for repeat postings such as payroll and ACH distributions, AFT/CFT, etc.

HSA Posting Code Lookup Window

Code		Description	Traditional	Education	Roth	SEPP
C	(CR)	CURRENT YEAR CONTRIBUTION				
I	(CR)	TRANSFER/OTHER(NON-REPORTABLE)				
L	(CR)	ROLLOVER				
R	(CR)	REDEPOSIT				
V	(CR)	DIVIDENDS PAID				
Y	(CR)	PRIOR YEAR CONTRIBUTION				
1	(DR)	NORMAL DISTRIBUTION				
2	(DR)	WITHDRAWAL EXCESSIVE				
3	(DR)	DISABILITY DISTRIBUTION				
4	(DR)	DEATH DISTRIBUTION (YEAR OF)				
5	(DR)	PROHIBITED DISTRIBUTION				
6	(DR)	DEATH DISTRIBUTION (YR AFTER)				

■ Select

HSA Posting Codes

Credits (Deposits)	
Code	*Description*
C	Current Year Contribution
I	Transfer/Other (non-reportable)
L	Rollover
R	Redeposit
V	Dividends Paid
Y	Prior Year Contribution

Debits (Withdrawals)	
Code	*Description*
1	Normal Distribution
2	Withdrawal – excessive contribution
3	Disability Distribution
4	Death Distribution (year of)
5	Prohibited
6	Death Distribution (year after)
7	Rollover
8	Transfer/Other (non-reportable)
9	Non-reportable

*NOTE: CU*BASE assumes that all credit transactions using the "redeposit" code for HSA accounts are for current year distributions made in error and will report to the IRS by reducing the distributions by this amount. If a credit union would like to accept a redeposit for a distribution posted in the prior calendar year, any reporting will need to be made manually by the credit union. Please refer to the IRA website http://www.irs/gov/ for information regarding HSA redeposits.*

UPDATING HSA TRANSACTION POSTING CODES

If for some reason an HSA posting code was entered incorrectly when a transaction was posted, use the following feature to correct the code. This will automatically update the corresponding buckets in the member's HSA Balance File to reflect the change.

Update Trans Desc & IRA/HSA Post Codes **(Tool #918)**
Screen 2

Use **Description/Statement** to update the transaction description that appears on member statements and account inquiry.

Use the **IRA/HSA Code** option to change the HSA posting code on a transaction record. The screen shown below will

Screen 3 - IRA/HSA Code

Use this screen to enter the correct HSA transaction posting code that should have been recorded for this particular transaction. Press Enter to confirm, then *Update* (F5) to save the change and return to the previous screen.

HSA Reports

DAILY HSA BALANCE FILE TRANSACTION EXCEPTION REPORT

Access: Automated Daily Report
Report Name: LHSALMT

This report shows HSA accounts where deposits have exceeded deposit limits, as well as other HSA transaction exceptions.

Although most interactive posting programs such as teller processing, transfers, etc., will warn the user at the time of the transaction if the deposit limit is being exceeded (see Page 18), this report is still necessary for batch posting processes (such as ACH or direct/mail post) as well as in case of an override at the time of an interactive transaction.

Report Sample

```
 9/26/07  14:41.34                           ABC TEST CREDIT UNION                       LHSALMT         PAGE    1
    RUN ON  9/26/07                 HSA BALANCE FILE TRANSACTION EXCEPTION REPORT                        USER MARYV

  ACCOUNT NO.    CLSEQ    YEAR

     290170        00     2007      *** CURRENT YEAR DEPOSITS EXCEEDS HSA DEPOSIT LIMIT  - $ 2,500.00 ***
    1198670        00     2006      *** PREVIOUS YEAR DEPOSITS EXCEEDS HSA DEPOSIT LIMIT - $   350.00 ***
    5016500        00     2007      *** CURRENT YEAR DEPOSITS EXCEEDS HSA DEPOSIT LIMIT  - $    55.00 ***
    5800004        00     2007      *** CURRENT YEAR DEPOSITS EXCEEDS HSA DEPOSIT LIMIT  - $ 2,500.00 ***


                                           *** END OF REPORT ***
```

This report must be checked regularly and members contacted to determine what should be done with the excess contribution!

This might mean transferring the money to another account, or planning to calculate and report earnings on excess contributions (see Pages 6 and 17), or even adjusting the annual contribution limit for that member if appropriate.

HSA BALANCE FILE/ACCOUNT TRANSACTION DETAIL

Access: *HSA Balance File/Acct Trans Detail* (Tool #397)
Report Name: LHSA

This reports shows detailed information about a member's balance file and HSA transaction activity. This report is helpful for researching HSA balance file discrepancies and confirming that all transaction activity has been properly coded for tax reporting.

Report Sample

```
 9/26/07  14:41:26                        CU*BASE TEST CREDIT UNION (FR)                    LHSA            PAGE    1
                                      HSA BALANCE FILE ACCOUNT TRANSACTION DETAIL                     USER DAWNM
                                      REPORT FOR YEAR ENDING 2007 REPORT AS OF  9/26/07

Name- FRED Q. MEMBER                  HSA Limit-            2,850.00   Age-              43
SSN-  385-16-9999                     Beg. Year Balance-               Maintenance Date- 09/26/2007
Year- 2007                            End. Year Balance-               Account Base-          7
Plan- Single

                    Deposits                                                 Withdrawals

   Curr Yr Cont-       354.98   Rollover -                Normal       -        50.00   Rollover       -
   Transfer    -               Dividends-                 Death Year of-                Disability     -
   Prev Yr Cont-               Redeposit-                 Prohibited   -                Death Year After-
                                                          Other NonRep -                Transfer       -
                                                          Withdrawal E -

                                          Transaction Listing

        ACCOUNT   TRANS                 DEPOSIT    WITHDRAWAL
        NUMBER    SEQ NO    DATE   TYPE  AMOUNT      AMOUNT     BALANCE    DESCRIPTION         HSA PROCESS CODE

         7-110     3106   9/26/07   11   354.98                 354.98    HSA DEPOSIT         C/CURRENT YEAR CONTRIBUTIO
         7-110     3107   9/26/07   41              50.00       304.98    MEMBER TRANSFER     1/NORMAL DISTRIBUTION

                                          ***END OF REPORT***
```

HSA LISTING BY PROCESSING CODE

Access: ***HSA Transaction Process Code Report* (Tool #399)**
Report Name: LHSAPC

This report shows individual HSA transactions according to HSA Code. This report is helpful when researching HSA balance file discrepancies and confirming that all transaction activity has been properly coded for tax reporting.

Report Sample

```
 9/20/07   9:37.35                          CU*BASE TEST CREDIT UNION                LHSAPC        Page    1
                                          HSA LISTING BY PROCESSING CODE                          USER MARYV
                                                  AS OF  9/20/07

                                          HSA     Transaction            Tran              Tran         Current
 Account No.      Member Name             Code    Description            Date             Amount        Balance

      444-084     SUSAN TESTER             C      ACCTG TRANS/CLOSE      8/01/07            61.32      122,547.87
      444-084     SUSAN TESTER             C      PC CU TRANSFER         8/16/07             1.00      122,547.87
      444-084     SUSAN TESTER             C      PC CU TRANSFER    +    8/16/07             3.55      122,547.87
     1902-110     MINNIE MOUSE             C      PC CU TRANSFER         8/01/07           500.00         306.91
     1902-110     MINNIE MOUSE             C      ACH/DYNAMIC STAFFING   8/03/07         1,743.46         306.91
     1902-110     MINNIE MOUSE             C      APPRAISAL REFUND       8/08/07            20.00         306.91
     1902-110     MINNIE MOUSE             C      OVERDRAFT TRANSFER     8/08/07            75.26         306.91
     1902-110     MINNIE MOUSE             C      PC CU TRANSFER         8/09/07           100.00         306.91
     1902-110     MINNIE MOUSE             C      CHECKING DEPOSIT       8/10/07           900.00         306.91
     2638-110     WILLIAM L TELL           C      OVERDRAFT TRANSFER     8/01/07            22.99            .00
     2638-110     WILLIAM L TELL           C      OVERDRAFT TRANSFER     8/02/07           131.73            .00
     2638-110     WILLIAM L TELL           C      OVERDRAFT TRANSFER     8/03/07            35.25            .00
     2638-110     WILLIAM L TELL           C      PC CU TRANSFER         8/03/07           800.00            .00
     2638-110     WILLIAM L TELL           C      PC CU TRANSFER         8/09/07         2,100.00            .00
```

HSA VERIFICATION REPORT

Access: ***Verify HSA Balances Report*** (Tool #941)
Report Name: LHSAVR

This report is used to compare the totals of the members' HSA transactions to the reporting "buckets" in the HSA Balance File. The report shows those situations where these two totals do not match and corrections are needed.

Report Sample

```
 9/18/07  17:30.52                           CU*BASE TEST CREDIT UNION                      LHSAVR          PAGE    1
                                           HSA VERIFICATION REPORT FOR 2007                               USER MARYV
                                    TRANSACTION TOTALS / IRA BALANCE TOTALS COMPARISON

                                              HSA                      TRANS          HSA BAL
 ACCOUNT NO.      MEMBER NAME                 BUCKET                   TOTAL           TOTAL          NET DIF

         444  SUSAN TESTER           DIVIDENDS PAID                    342.68          341.00             1.68
        2638  WILLIAM L TELL         Invalid Post Code:               367.00             .00           367.00
        2638  WILLIAM L TELL         Invalid Post Code:               367.00             .00           367.00
        2638  WILLIAM L TELL         Invalid Post Code:             1,539.00             .00         1,539.00
        2638  WILLIAM L TELL         Invalid Post Code:             1,539.00             .00         1,539.00
       15020  MERRY CHRISTMAS        Invalid Post Code:             3,068.20             .00         3,068.20
       15020  MERRY CHRISTMAS        Invalid Post Code:            34,247.23             .00        34,247.23
       15020  MERRY CHRISTMAS        Invalid Post Code:            10,000.00             .00        10,000.00
       15020  MERRY CHRISTMAS        Invalid Post Code:             3,068.20             .00         3,068.20
       15020  MERRY CHRISTMAS        Invalid Post Code:            34,247.23             .00        34,247.23
       15020  MERRY CHRISTMAS        Invalid Post Code:            10,000.00             .00        10,000.00
       20974  HARLEY PERSON          Invalid Post Code:               348.02             .00           348.02
       20974  HARLEY PERSON          Invalid Post Code:               348.02             .00           348.02
       20974  HARLEY PERSON          Invalid Post Code:               750.88             .00           750.88
```

MEMBER HSA GOVERNMENT REPORT / 5498 FORMAT

Access: **HSA Govt. Report/5498 (Tool #398)**
Report Name: LGVHSA

This report is used to view what your current HSA Balance File holds for deposits to HSA accounts, and is used to verify contribution data before 5498 forms are printed and filed. The report will be grouped first by Corporation, then sorted by Account. The end of the report lists the total number of HSA accounts and the column totals.

Report Sample

```
1/14/08  14:18:33                        CU*BASE CREDIT UNION                    LGVHSA         PAGE     1
                              MEMBER HSA GOVERNMENT REPORT / 5498SA FORMAT                USER ALYCIAM
                                            FOR YEAR 2007
   ACCOUNT                        TAX ID      | - - - C O N T R I B U T I O N S - - - - - - |  FAIR MARKET
   NUMBER  NAME                   NUMBER  AGE  TOTAL IN 07  FOR 07 IN 08            ROLLOVERS    VALUE      MESSAGE
    20000  MEMBER, CRAIG D        374-12-1234  53     489.32       .00                  .00     455.85
    20001  MEMBER, TESTING D      123-12-1234  57      26.11       .00                  .00        .00 OVR LMT
    23000  MEMBER, MICHAEL A      123-12-1234  49        .00       .00                  .00        .10
    23100  JONES, MICHAEL L       363-12-1234  52     400.00       .00                  .00     751.08
    24000  NEWMEMBER, MICHAEL R   369-12-1234  53     600.00       .00                  .00    4504.01
    25000  JONES, THOMAS          373-12-1234  53     825.00       .00                  .00    1434.71
    25500  MEMBER, TAMMY L        370-12-1234  39     600.00       .00                  .00    1924.92
    26000  NEWMEMBER, GENE A      384-12-1234  53     600.00       .00                  .00    4661.95
    26100  MEMBER, KYLE R         362-12-1234  28        .00       .00                  .00     721.87
    26200  MEMBER, NATHAN J       379-12-1234  32    1950.00       .00                  .00    2907.75
    26300  NEWMEMBER, MARK E      487-12-1234  45     624.00       .00                  .00    1227.01
    27400  JONES, JENA M          369-12-1234  21        .00       .00                  .00     247.10
    27500  MEMBER, MICHAEL T      371-12-1234  23        .00       .00                  .00     260.55
    27000  NEWMEMBER, TIMOTHY E   369-12-1234  46     600.00       .00                  .00     178.39
```

ANNUAL TAX REPORTING

As part of year-end processing, CU*BASE will automatically handle the creation of tax file records needed to produce HSA-related tax forms as well as updating records in the Tax File, similar to the way IRAs work.

Refer to the current Year-End Processing Guide for specific details, including instructions on how to notify us whether your HSA program is self-administered or administered by another third party, such as CMG.

HSA TAX FORMS

Tax forms related to HSA accounts include the following:

- ♦ **1099-SA** (for Distributions) - Due to members by the end of January; due to the IRS by the end of February.
- ♦ **5498-SA** (for Contributions) - Due to members and the IRS by the end of May.