

HSA vs. FSA

	Health Savings Account (HSA) (IRC Sec. 223)	Flexible Spending Account (FSA) (IRC Sec. 125)
Description	Approved by Congress in 2003, HSAs are actual bank accounts in employee's names that allow employees to save and pay for unreimbursed qualified medical expenses tax-free.	Allows employees to pay out-of-pocket expenses for copays, deductibles and certain services not covered by medical plan, tax-free. This also allows employees to pay for qualifying dependent care tax-free.
Employer Eligibility	A qualified high deductible health plan.	All employers
Contribution Source	Employee and/or employer	Employee and/or employer
Account Owner	Individual	Employer
Underlying Insurance Requirement	High deductible health plan	None
Minimum Deductible	\$1,000 single (2016) \$2,600 family (2016)	N/A
Maximum Contribution	\$3,350 single (2016) \$6,750 family (2016)	Varies per employer
Permissible Use Of Funds	Employees may use funds any way they wish. If used for non-qualified medical expenses, subject to current tax rate plus 20% penalty.	Reimbursement for qualified medical expenses (as defined in Sec. 213(d) of IRC).
Cash-Outs of Unused Amounts (if no medical expenses)	Permitted, but subject to current tax rate plus 20% penalty (penalty waived after age 65).	Not permitted
Year-to-year rollover of account balance?	Yes, will roll over to use for subsequent year's health coverage.	500 rollover provision. Any amount of money in excess of the \$500 carryover allowance left in an FSA at the end of the year is forfeited.
Does the account earn interest?	Yes	No
Portable?	Yes, portable year-to-year and between jobs.	No