

# How an HSA can help people with disabilities

Some qualified medical expenses are especially relevant for people with special needs



**P**eople with disabilities face an array of everyday challenges, not the least of which is the high cost of health care. A health savings account (HSA) can help defray these costs in some surprising ways.

An HSA allows you to set aside money for qualified medical expenses pre-tax, which means your money can go farther now because you're not paying tax on it. It can also grow tax-free if you don't spend it today.<sup>1</sup>

You can use money from an HSA to cover expenses ranging from doctor visits and hospital bills to therapy and medications. This includes experimental drugs, new technologies and other expenses your insurance may not cover. But a number of qualified medical expenses are especially valuable for a person with a disability, or the parent of a disabled child.

Here are seven ways an HSA can help people with disabilities:

## 1. Capital expenses

You can use money from your HSA to make capital improvements to your home to accommodate a disability — for instance, building a ramp or widening doorways for you or a dependent who is confined to a wheelchair, installing hand rails, or upgrading smoke alarms if you have a hearing impairment. The amount of the medical expense that you can use your HSA funds for depends on whether the improvement adds value to your home.

## 2. Getting around

Transportation can be challenging enough for people with disabilities. It also can be more expensive, but some of those costs are reimbursable from your HSA, including:

- The cost of buying, operating and maintaining a wheelchair, plus the cost of accessories such as a seat cushion.
- Some expenses for a specially equipped car, including the cost of adding hand controls and other equipment installed for the use of a person with disabilities. If you're buying a new car that comes specially designed or equipped, you may reimburse yourself for the difference between the cost of a regular car and the specially equipped car.
- Transportation to and from medical appointments, including ambulance services.

## 3. Service animals

Animals provide an impressive array of services for the disabled. The cost of acquiring, training, and maintaining the animal's health can be covered by an HSA, as long as the animal is primarily for medical care.

In addition to adoption costs, reimbursable expenses include food, grooming, and veterinary care to help you keep the animal healthy and fit to perform its job.

## The tax advantages of HSAs

A health savings account is a tax-advantaged account individuals can establish to pay for qualified medical expenses. You can open an HSA if you are enrolled in an HSA-eligible health plan, are not enrolled in Medicare, have no other health coverage<sup>2</sup>, and can't be claimed as a dependent on someone else's tax return.

An HSA may be able to provide you with the following tax benefits:<sup>1</sup>

- Contributions made through payroll deductions are pre-tax, including FICA (Social Security and Medicare) taxes.
- If you invest or earn interest on the funds, you aren't taxed on the earnings.
- When you use the money to pay for qualified medical expenses, withdrawals also are tax-free.

For a complete list of qualified medical expenses, please see [IRS Publication 502](#).

### 2021 HSA CONTRIBUTION LIMITS

Individual coverage	\$3,600
Family coverage	\$7,200
Catch-up contribution (age 55+)	\$1,000



## 4. Nursing services

If you need help with tasks such as giving medication to your loved one, changing dressings, or bathing and grooming, those nursing costs can be reimbursable. These services don't have to be performed by a nurse, but if your home health aide performs other household services, like cleaning and laundry, this will decrease the amount that is a qualified medical expense.

## 5. Medical conference expenses

Amazing advancements in care and treatment are happening all the time, and conferences can be a good place to learn about the latest breakthroughs. Expenses related to attending such gatherings can be reimbursable if the conference primarily for and necessary to address a chronic condition or disability of you, your spouse, or dependent. (This does not include the cost of meals and lodging while attending a conference.)



## 6. Educational costs

There are several ways in which education can qualify as a reimbursable expense:

- Tuition payments for a special school for a child with severe learning disabilities.
- Tutoring fees if the tutor is trained and qualified to work with students who have severe learning disabilities.
- Other schools that focus on treating or managing a disability, including teaching Braille, sign language, lip-reading, or remedial language training for a condition caused by a birth defect.

## 7. Saving for the future

Health care costs are only going to grow in the years ahead. If you are in a position to save some of the money in your HSA, you can invest it for the long-term. Down the line, when you use that money for qualified medical expenses, you can withdraw it tax-free.<sup>1</sup>

### Investing involves risk, including risk of loss.

<sup>1</sup> Contributions, earnings, and distributions are tax-free for federal tax purposes when used to pay for qualified medical expenses. Each state may decide to follow the federal tax guidelines for HSAs or establish its own. As of the publication date (9/15/2020), only California and New Jersey tax eligible contributions to HSAs. These states regard HSAs as regular taxable brokerage accounts, so residents have to declare any capital gains, interest, and dividends they receive to the state. New Hampshire and Tennessee tax some earnings but not contributions.

<sup>2</sup> Under IRS rules, you (and your spouse, if you have family coverage) generally can't have any health coverage other than an HDHP. However, you can still be an eligible individual even if your spouse has non-HDHP coverage provided you aren't covered by that plan. You can have additional insurance that provides benefits only for the following items: liabilities incurred under workers' compensation laws, tort liabilities, or liabilities related to ownership or use of property; a specific disease or illness; a fixed amount per day (or other period) of hospitalization. You can also have coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, and long-term care.

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