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QUESTIONS AND ANSWERS

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Does a health savings account (HSA) custodian/trustee have to verify whether an HSA owner is using HSA distributions for qualified medical expenses?

No. IRS Notice 2004-2, Q&A-29 states that HSA custodians/trustees are not required to determine whether HSA distributions are used for qualified medical expenses. Individuals who establish HSAs make that determination and should maintain records of their medical expenses sufficient to show that the distributions have been made exclusively for qualified medical expenses and are therefore excludable from gross income.

HSA custodians/trustees will likely report most HSA distributions on IRS Form 1099-SA, *Distributions from an HSA, Archer MSA, or Medicare+Choice MSA* with Code 1, Normal, in box 3. A normal HSA distribution is one that is not made due to death, disability, the correction of an excess contribution, or a prohibited transaction.

The HSA owner indicates whether HSA distribution(s) were used for qualified medical expenses on IRS Form 8889, *Health Savings Accounts (HSAs)*, an attachment to his/her tax return.

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