

Anthony Greco

From: TASC [Tasc@xmr3.com]
Sent: Friday, December 15, 2006 4:39 PM
To: Anthony Greco
Subject: TASC UPtoDATE: New HSA Legislation



Dear TASC Provider;

TASC works hard to stay up to date on IRS rules and regulations that affect the employee benefit industry. We have a Compliance Department who's sole responsibility is to monitor governmental changes that may effect the benefits industry, and ensure that all TASC products and services follow the spirit of the IRS code sections and Department of Labor rulings that provide for employee benefits programs.

We maintain volumes of technical documentation that we use when developing and servicing our products and services. And now we are bringing that information to you!

Introducing "UPtoDATE"! UPtoDATE communications will bring you the latest in compliance related issues... in terms you understand. UPtoDATE communications will be sent to you whenever there is breaking news regarding issues that affect you and your clients. TASC will also share UPtoDATE communications with you that help sort out the complex world of employee benefits. We do the work, you reap the benefits!

Look for UPtoDATE communications to be sent to you via e-mail from time-to-time. If you have questions related to compliance issues, please send those to service@tasconline.com, and we will be sure to address them in a timely basis.

Keeping You UPtoDATE!

Act Loosens Up HSA Rules

The Tax Relief and Health Care Act of 2006 (H.R. 6408) is expected to be signed by President Bush very soon. While this legislation includes many changes, of importance to TASC are the changes to **Health Savings Accounts (HSA)**. Obviously, the intent of this bill is to increase the popularity of HSAs. Here are some of the highlights of the Act.

- The contribution limit is no longer tied to the deductible. It is now only tied to the statutory annual limit, which for 2007 is \$2,850 for single and \$5,650 for family. This change increases an employee's monthly maximum contribution from \$91.66 for single coverage, or \$183.33 for family coverage to \$237.50 for single coverage or \$470.83 for family coverage.
- A full year's contribution is now allowed as long as the individual is eligible during the last month of the taxable year. A person who is eligible to make HSA contributions for the last month of a given taxable year is deemed to have been eligible for the entire year. However, the person must then remain eligible to make HSA contributions during all of the remainder of that last month of the year and the ensuing 12 months.
- Employees will be able to make a one time transfer from their FSA or HRA into their HSA. Contributions are limited to the lesser of 1) their balance in their FSA or HRA as of September 21,

2006 or 2) the balance of those benefits as of the date of the distribution. Contributions must be made directly to the HSA before January 1, 2012. The transfer is treated as a "rollover" contribution to the HSA and therefore does not reduce the HSA account holder's maximum contribution for the year.

TASC will be ready to accommodate this change by January 1, 2007.

- When making contributions under the comparability rules, highly compensated employees can be excluded. This allows for contributions to non-highly compensated employees to be greater than those for highly compensated employees.
- If an individual has a FSA with a grace period and adopts an HSA January first, the employee may make contributions to the HSA January first if the FSA had a zero balance. Or the individual may transfer the FSA balance to the HSA. TASC will be ready to accommodate this change by January 1, 2007.
- The cost of living adjustments will be released in June rather than in November.

TASC considers many of these changes to be positive developments for employers and their employees. We have already begun working on the operational changes required to comply with these changes. As we work through these changes, we will continue to keep you and your Clients informed of our stance regarding these changes, as well as our readiness to comply with the changes. As always, TASC's goal is to maximize our customers' benefit, and to provide the best service possible through our Plans.

Regards,

TASC

TAS-00-PAGW

Total Administrative Services Corporation 800-422-4661

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