

Sample Tax Return for a Beginning Small Farm with a Value-Added Business

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2011 Form 8889, Health Savings Account (HSA)

The Hopefulls entered both of their names on the first line but only I.M.'s SSN because they identified him and as the taxpayer on their Form 1040.

Part I HSA Contributions and Deduction

- Line 1: The Hopefulls checked the "Family" box because their high-deductible health plan (HDHP) covers the Hopefull family in 2011.
- Line 2: The Hopefulls entered \$5,125—the sum of ten months (March – December) of contributions that I.M. made on behalf of his family ($10 \times \$512.50$).
- Line 3: The Hopefulls entered their \$6,150 limit for 2011.
- Line 4: Neither the Hopefulls nor their employers contributed to an Archer MSA in 2011.
- Lines 5 - 12: The Hopefulls entered their \$6,150 limit for 2011 on lines 5, 6, 8, and 12 because I.M. was not age 55 or older, employers made no contributions to their HAS in 2011, and there were no qualified funding distributions.
- Line 13: The Hopefulls entered \$5,125—the lesser of their HSA contributions from line 2 and their \$6,150 limit for 2011 from line 12. This is the allowable HSA deduction reported on line 25 of Form 1040 as discussed earlier.

Part II HSA Distributions

- Line 14: The Hopefulls entered the \$1,200 they received from their HSA to cover qualified medical expenses they incurred in 2011.

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Line 15: The Hopefulls entered the \$1,200 of medical expenses they paid in 2011 that were not covered by their high deductible health insurance plan.

Line 16: Because the Hopefull's qualified expenses equaled their HSA distributions, they did not have to report the distributions as income and they were not allowed to claim the payment as a deduction.