

**INSTRUCTIONS HOW TO
COMPLETE PART I OF FORM 8889 FOR 2011**

By

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LIST OF SITUATIONS

PAGE

I. Individual under age 55 with self-only High Deductible Health Plan (“HDHP”) coverage makes a contribution of \$3,050 during 2011 and/or 2012:	1
II. Individual under age 55 with self-only HDHP coverage makes a contribution of \$3,050 during 2011 and/or 2012 and has \$1,000 transferred from his or her employer’s Health Flexible Spending Account (“Health FSA”) or Health Reimbursement Arrangement (“HRA”) to his or her Health Savings Account (“HSA”):	1
III. Individual under age 55 with self-only HDHP coverage transfers \$3,050 from his or her Individual Retirement Account (“IRA”) to his or her HSA during 2011 and/or 2012:.....	1
IV. Individual under age 55 with self-only HDHP coverage. He or she is married filing jointly with his or her spouse with self-only HDHP coverage. Each spouse makes a contribution of \$3,050 to a HSA during 2011 and/or 2012:.....	2
V. Individual age 56 with self-only HDHP coverage makes a contribution of \$3,050 and makes a catch-up contribution of \$1,000 during 2011 and/or 2012:	2
VI. Individual under age 55 with self-only HDHP coverage makes a contribution of \$2,050 during 2011 and/or 2012 and employer made a contribution of \$1,000 during 2011 or 2012:	3
VII. Individual under age 55 with self-only HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$2,050 during 2011 and/or 2012 and the employer makes a contribution of \$1,000 during 2011 or 2012:	3
VIII. Individual under age 55 with self-only HDHP coverage makes a pretax contribution of \$3,050 through cafeteria plan during 2011:	3
IX. Individual under age 55 with self-only HDHP coverage during the first six months of 2011 and contributes \$1,500 to a HSA during 2011 and/or 2012:.....	4
X. Individual under age 55 with self-only HDHP coverage during the last six months of 2011 and contributes \$3,050 to a HSA during 2011 and/or 2012:	4
XI. Individual under age 55 with family HDHP coverage during the first six months of 2011 and self-only coverage for the remaining 6 months of 2011 and contributes \$4,600 for 2011:	5
XII. Individual under age 55 with self-only HDHP coverage during the first six months of 2011 and family coverage for the remaining 6 months of 2011 and contributes \$6,150 for 2011:	5
XIII. Individual under age 55 with family HDHP coverage makes a contribution of \$6,150 during 2011 and/or 2012:.....	6
XIV. Individual under age 55 with family HDHP coverage makes a contribution of \$6,150 during 2011 and/or 2012 and has \$1,000 transferred from his or her employer’s Health FSA or HRA:	6

- XV. Individual under age 55 with family HDHP coverage transfers \$6,150 from his or her IRA to his or her HSA during 2011 and/or 2012: 6
- XVI. Individual under age 55 has family HDHP coverage during 2011. He or she is married filing jointly with spouse with self-only HDHP coverage. The individual makes a contribution of \$6,150 and his or her spouse makes a contribution of \$3,050 to his or her HSA during 2011 and/or 2012: 7
- XVII. Individual age 56 with family HDHP coverage makes a contribution of \$6,150 and makes a catch-up contribution of \$1,000 during 2011 and/or 2012: 7
- XVIII. Individual age 56 with family HDHP coverage with a covered spouse age 56 makes a contribution of \$6,150 and a catch-up contribution of \$2,000, during 2011 and/or 2012 (\$7,150 is contributed for one spouse and \$1,000 for the other spouse):..... 8
- XIX. Individual under age 55 with family HDHP coverage makes a contribution of \$4,150 during 2011 and/or 2012 and employer made a contribution of \$2,000 during 2011 or 2012: 8
- XX. Individual under age 55 with family HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$4,150 during 2011 and/or 2011 and the employer makes a contribution of \$2,000 during 2011 or 2012: 9
- XXI. Individual under age 55 with family HDHP coverage made a pretax contribution of \$6,150 through a cafeteria plan during 2011: 9
- XXII. Individual under age 55 with family HDHP coverage during the first six months of 2011 and contributes \$3,075 to a HSA during 2011 and/or 2012: 10
- XXIII. Individual under age 55 with family HDHP coverage during the last six months of 2011 and contributes \$6,150 to a HSA during 2011 and/or 2012: 10
- XXIV. Individual under age 55 with family HDHP coverage covers his or her domestic partner. The domestic partner does not qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her domestic partner. 11
- XXV. Individual under age 55 with family HDHP coverage covers his or her domestic partner. The domestic partner does qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her domestic partner. 11
- XXVI. Individual under age 55 with family HDHP coverage covers his or her son who is under age 26. The son does not qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her son..... 11
- XXVII. Individual under age 55 with family HDHP coverage covers his or her son who is under age 26. The son does qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her son..... 11

Introduction

Every year, I receive a number of questions regarding how to complete Part I of Form 8889. The reason for this is that the instructions provided by the Internal Revenue Service for completing Form 8889 are very complex and unclear. To assist, the following shows how to complete Form 8889 in 27 different situations for 2011.

The discussion below is for example purposes only. Individuals should be advised to seek professional tax assistance in the completion of Form 8889 or any other tax return.

Situations

I. Individual under age 55 with self-only High Deductible Health Plan (“HDHP”) coverage makes a contribution of \$3,050 during 2011 and/or 2012:

1. Check box on line 1 indicating self-only coverage during 2011.
2. Enter \$3,050 on line 2 as the contribution made for 2011.
3. Enter \$3,050 on line 3 as the contribution limitation amount for 2011.
4. Enter \$3,050 on line 5.
5. Enter \$3,050 on line 6.
6. Enter \$3,050 on line 8.
7. Enter \$3,050 on line 12.
8. Enter \$3,050 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

II. Individual under age 55 with self-only HDHP coverage makes a contribution of \$3,050 during 2011 and/or 2012 and has \$1,000 transferred from his or her employer’s Health Flexible Spending Account (“Health FSA”) or Health Reimbursement Arrangement (“HRA”) to his or her Health Savings Account (“HSA”):

Complete Form 8889 as indicated above in Situation I above. Such transfers are not reported on an individual’s Form 8889.

III. Individual under age 55 with self-only HDHP coverage transfers \$3,050 from his or her Individual Retirement Account (“IRA”) to his or her HSA during 2011 and/or 2012:

1. Check box on line 1 indicating self-only coverage during 2011.
2. Enter \$3,050 on line 3 as the contribution limitation amount for 2011.

3. Enter \$3,050 on line 10.
4. Enter \$3,050 on line 11.
5. Enter \$0 on line 12.
6. Enter \$0 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

Note: The Individual must also enter the amount of the IRA distribution on line 15a of his or her Form 1040 or line 16a of his or her Form 1040NR. If the entire amount of the distribution is transferred to his or her HSA, then he or she must enter \$0 on line 15b of his or her Form 1040 or line 16b of his or her Form 1040NR.

IV. Individual under age 55 with self-only HDHP coverage. He or she is married filing jointly with his or her spouse with self-only HDHP coverage. Each spouse makes a contribution of \$3,050 to a HSA during 2011 and/or 2012:

Each spouse has to complete separate Form 8889.

1. Complete Form 8889 for each spouse as indicated above on Situation I for steps 1 through 7.
2. Enter the combined contribution amounts made by each spouse, \$6,100 (\$3,050 for each spouse) on line 13 and on Form 1040, line 25, or line 1040 NR, line 25).

Note: If the couple claimed a deduction of \$6,100 (\$3,050 x 2), there would be a deficit of \$50.

V. Individual age 56 with self-only HDHP coverage makes a contribution of \$3,050 and makes a catch-up contribution of \$1,000 during 2011 and/or 2012:

1. Check box on line 1 indicating self-only coverage during 2011.
2. Enter \$4,050 on line 2 as the contribution (\$3,050 and \$1,000) made for 2011.
3. Enter \$4,050 on line 3 as the contribution limitation amount for 2011.
4. Enter \$4,050 on line 5.
5. Enter \$4,050 on line 6.
6. Enter \$4,050 on line 8.
7. Enter \$4,050 on line 12.

8. Enter \$4,050 on lines 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

VI. Individual under age 55 with self-only HDHP coverage makes a contribution of \$2,050 during 2011 and/or 2012 and employer made a contribution of \$1,000 during 2011 or 2012:

1. Check box on line 1 indicating self-only coverage during 2011.
2. Enter \$2,050 on line 2 as the contribution made for 2011.
3. Enter \$3,050 on line 3 for the contribution limitation amount for 2011.
4. Enter \$3,050 on line 5.
5. Enter \$3,050 on line 6.
6. Enter \$3,050 on line 8.
7. Enter \$1,000 on line 9.
8. Enter \$1,000 on line 11.
9. Enter \$2,050 on line 12.
10. Enter \$2,050 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

VII. Individual under age 55 with self-only HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$2,050 during 2011 and/or 2012 and the employer makes a contribution of \$1,000 during 2011 or 2012:

Complete Form 8889 as indicated above on Situation VI above, except that the taxable employer contribution should be reported in line 2 and not on lines 9 or 11. The individual should enter \$3,050 on lines 12 and 13. Despite the fact that this contribution is reported on the individual's Form W-2, it should not be reported as an employer contribution for purposes of Form 8889.

VIII. Individual under age 55 with self-only HDHP coverage makes a pretax contribution of \$3,050 through cafeteria plan during 2011:

1. Check box on line 1 indicating self-only coverage during 2011.
2. Enter \$3,050 on line 3 as the contribution limitation amount for 2011.
3. Enter \$3,050 on line 5.
4. Enter \$3,050 on line 6.

5. Enter \$3,050 on line 8.
6. Enter \$3,050 on line 9.
7. Enter \$3,050 on line 11.
8. Enter \$0 on line 12.
9. Enter \$0 on line 13 and nothing on Form 1040, line 25, or on Form 1040 NR, line 25.

IX. Individual under age 55 with self-only HDHP coverage during the first six months of 2010 and contributes \$1,500 to a HSA during 2011 and/or 2012:

1. Check box on line 1 indicating self-only coverage during 2011.
2. Enter \$1,500 on line 2 as the contribution made for 2011.
3. Enter \$1,500 on line 3 as a contribution limitation for 2011 (amount determined by using the Line 3 Limitation Chart and Worksheet on page 3 of the Instructions).
4. Enter \$1,500 on line 5.
5. Enter \$1,500 on line 6.
6. Enter \$1,500 on line 8.
7. Enter \$1,500 on line 12.
8. Enter \$1,500 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

X. Individual under age 55 with self-only HDHP coverage during the last six months of 2011 and contributes \$3,050 to a HSA during 2011 and/or 2012:

1. Check box on line 1 indicating self-only coverage during 2011.
2. Enter \$3,050 on line 2 as the contribution made for 2011.
3. Enter \$3,050 on line 3 as the contribution limitation for 2011 (last month rule, see on page 1 of the Instructions).
4. Enter \$3,050 on line 5.
5. Enter \$3,050 on line 6.
6. Enter \$3,050 on line 8.

7. Enter \$3,050 on line 12.
8. Enter \$3,050 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XI. Individual under age 55 with family HDHP coverage during the first six months of 2011 and self-only coverage for the remaining 6 months of 2011 and contributes \$4,600 for 2011:

1. It is unclear from the instructions which box the individual should complete on this situation because the instructions indicate that the individual should check the box for coverage he or she had for longer period during 2011 or indicate family coverage if an individual had such coverage on December 1.
2. Enter \$4,600 on line 2 as the contribution made for 2011.
3. Enter \$4,600 on line 3 as the contribution limitation amount of 2011 (amount determined by using the Line 3 Limitation Chart and Worksheet on page 3 of the Instructions).
4. Enter \$4,600 on line 5.
5. Enter \$4,600 on line 6.
6. Enter \$4,600 on line 8.
7. Enter \$4,600 on line 12.
8. Enter \$4,600 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XII. Individual under age 55 with self-only HDHP coverage during the first six months of 2011 and family coverage for the remaining 6 months of 2011 and contributes \$6,150 for 2011:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$6,150 on line 2 as the contribution made for 2011.
3. Enter \$6,150 on line 3 as the contribution limitation amount of 2011 (last month rule, see on page 1 of the Instructions).
4. Enter \$6,150 on line 5.
5. Enter \$6,150 on line 6.
6. Enter \$6,150 on line 8.
7. Enter \$6,150 on line 12.

8. Enter \$6,150 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XIII. Individual under age 55 with family HDHP coverage makes a contribution of \$6,150 during 2011 and/or 2012:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$6,150 on line 2 as the contribution made for 2011.
3. Enter \$6,150 on line 3 as the contribution limitation amount for 2011.
4. Enter \$6,150 on line 5.
5. Enter \$6,150 on line 6.
6. Enter \$6,150 on line 8.
7. Enter \$6,150 on line 12.
8. Enter \$6,150 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XIV. Individual under age 55 with family HDHP coverage makes a contribution of \$6,150 during 2011 and/or 2012 and has \$1,000 transferred from his or her employer's Health FSA or HRA:

Complete Form 8889 as indicated above on Situation XIII above. Such transfers are not reported on an Individual's Form 8889.

XV. Individual under age 55 with family HDHP coverage transfers \$6,150 from his or her IRA to his or her HSA during 2011 and/or 2012:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$6,150 on line 2 as the contribution made for 2011.
3. Enter \$6,150 on line 3 as the contribution limitation amount for 2011.
4. Enter \$6,150 on line 5.
5. Enter \$6,150 on line 6.
6. Enter \$6,150 on line 8.
7. Enter \$6,150 on line 10.
8. Enter \$6,150 on line 11.

9. Enter \$0 on line 12.

10. Enter \$0 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

Note: The individual must also enter the amount of the IRA distribution on line 15a of his or her Form 1040 or line 16a of his or her Form 1040NR. If the entire amount of the distribution is transferred to his or her HSA, then he or she must enter \$0 on line 15b of his or her Form 1040 or line 16b of his or her Form 1040NR.

XVI. Individual under age 55 has family HDHP coverage during 2011. He or she is married filing jointly with spouse with self-only HDHP coverage. The individual makes a contribution of \$6,150 and his or her spouse makes a contribution of \$3,050 to his or her HSA during 2011 and/or 2012:

Each spouse has to complete separate Form 8889.

1. For the spouse that contributed \$6,150, complete Form 8889 as indicated above on Situation XIII for steps 1 through 8 and, enter the combined amounts \$6,150 on Line 13 and on Form 1040, on Line 25 on Form 1040 NR.
2. For the spouse that had \$3,050 contributed to his or her HSA for 2011, please complete as follows:
 - a. Check box on line 1 indicating family coverage during 2011.
 - b. Enter \$3,050 on line 2 as the contribution made for 2011.
 - c. Enter \$0 on line 3 as the contribution limitation amount for 2011.
 - d. Enter \$0 on line 8.
 - e. Enter \$0 on line 12.
 - f. Enter the combined amounts \$6,150 on Line 13 and on Form 1040, line 25 or Form 1040 NR, line 25. The couple will have an excess contribution of \$3,050.

XVII. Individual age 56 with family HDHP coverage makes a contribution of \$6,150 and makes a catch-up contribution of \$1,000 during 2011 and/or 2012:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$7,150 on line 2 as the contribution (\$7,150 and \$1,000) made for 2011.
3. Enter \$6,150 on line 3 as the contribution limitation amount for 2011.
4. Enter \$6,150 on line 5.

5. Enter \$6,150 on line 6.
6. Enter \$1,000 on Line 7.
7. Enter \$7,150 on line 8.
8. Enter \$7,150 on line 12.
9. Enter \$7,150 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XVIII. Individual age 56 with family HDHP coverage with a covered spouse age 56 makes a contribution of \$6,150 and a catch-up contribution of \$2,000, during 2011 and/or 2012 (\$7,150 is contributed for one spouse and \$1,000 for the other spouse):

Each spouse has to complete separate Form 8889.

1. For the spouse that contributed \$7,150, complete Form 8889 as indicated above on Situation XVII for steps 1 through 8 and, enter the combined amounts \$8,150, (\$7,150 + \$1,000) on Line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.
2. For the spouse that had \$1,000 contributed to his or her HSA for 2011, please complete as follows:
 - a. Check box on line 1 indicating family coverage during 2011.
 - b. Enter \$1,000 on line 2 as the contribution made for 2011.
 - c. Enter \$1,000 on Line 7.
 - d. Enter \$1,000 on line 8.
 - e. Enter \$1,000 on line 12.
 - f. Enter the combined amounts \$8,150 (\$7,150 + \$1,000) on Line 13 and on Form 1040, line 25 or Form 1040 NR, line 25.

Note: In order for the spouse to receive a \$1,000 contribution, it must be contributed to a separate HSA in the spouse's name.

XIX. Individual under age 55 with family HDHP coverage makes a contribution of \$4,150 during 2011 and/or 2012 and employer made a contribution of \$2,000 during 2011 or 2012:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$4,150 on line 2 as the contribution made for 2011.

3. Enter \$4,150 on line 3 as the contribution limitation amount for 2011.
4. Enter \$4,150 on line 6.
5. Enter \$4,150 on line 8.
6. Enter \$2,000 on line 9.
7. Enter \$2,000 on line 11.
8. Enter \$4,150 on line 12.
9. Enter \$4150 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XX. Individual under age 55 with family HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$4,150 during 2011 and/or 2012 and the employer makes a contribution of \$2,000 during 2011 or 2012:

Complete Form 8889 as indicated above on Situation XIX above, except that the taxable employer contribution should be reported in line 2 and not on lines 9 or 11. The individual should enter \$6,150 on lines 12 and 13. Despite the fact that this contribution is reported on the individual's Form W-2, it should not be reported as an employer contribution for purposes of Form 8889.

XXI. Individual under age 55 with family HDHP coverage made a pretax contribution of \$6,150 through a cafeteria plan during 2011:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$6,150 on line 3 as the contribution limitation amount for 2011.
3. Enter \$6,150 on line 6.
4. Enter \$6,150 on line 8.
5. Enter \$6,150 on line 9.
6. Enter \$6,150 on line 11.
7. Enter \$0 on line 12.
8. Enter \$0 on line 13 and nothing on Form 1040, line 25, or on Form 1040 NR, line 25.

XXII. Individual under age 55 with family HDHP coverage during the first six months of 2011 and contributes \$3,075 to a HSA during 2011 and/or 2012:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$3,075 on line 2 as the contribution made for 2011.
3. Enter \$3,075 on line 3 as the contribution limitation amount (amount determined by using the Line 3 Limitation Chart and Worksheet on page 3 of the Instructions).
4. Enter \$3,075 on line 5.
5. Enter \$3,075 on line 6.
6. Enter \$3,075 on line 8.
7. Enter \$3,075 on line 12.
8. Enter \$3,075 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XXIII. Individual under age 55 with family HDHP coverage during the last six months of 2011 and contributes \$6,150 to a HSA during 2011 and/or 2012:

1. Check box on line 1 indicating family coverage during 2011.
2. Enter \$6,150 on line 2 as the contribution made for 2011.
3. Enter \$6,150 on line 3 as the contribution limitation amount for 2011 (last month rule, see on page 1 of the Instructions).
4. Enter \$6,150 on line 5.
5. Enter \$6,150 on line 6.
6. Enter \$6,150 on line 8.
7. Enter \$6,150 on line 12.
8. Enter \$6,150 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XXIV. Individual under age 55 with family HDHP coverage covers his or her domestic partner. The domestic partner does not qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her domestic partner.

Each individual would have to establish his or her own HSA. The individual could not deduct the amount contributed to his or her domestic partner. The individual's domestic partner could claim his or her deduction for the HSA contribution on his or her own Form 1040 and attach a Form 8889.

XXV. Individual under age 55 with family HDHP coverage covers his or her domestic partner. The domestic partner does qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her domestic partner.

Under this situation, the domestic partner is not eligible to establish his or her own HSA. Any amounts contributed on his or her behalf would be considered an excess contribution and would have to be removed from the HSA by April 18, 2012 or would face penalties.

XXVI. Individual under age 55 with family HDHP coverage covers his or her son who is under age 26. The son does not qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her son.

Each individual would have to establish his or her own HSA. The individual could not deduct the amount contributed to his or her son. The individual's son could claim his deduction for the HSA contribution on his own Form 1040 and attach a Form 8889.

XXVII. Individual under age 55 with family HDHP coverage covers his or her son who is under age 26. The son does qualify as his or her tax dependent. The individual contributes \$6,150 for him or herself and \$6,150 for his or her son.

Under this situation, the son is not eligible to establish his own HSA. Any amounts contributed on his behalf would be considered an excess contribution and would have to be removed from the HSA by April 18, 2012 or would face penalties.