



# 2011 Montana Medical Care Savings Account

Annual Reporting Information for Self-Administered Accounts  
15-61-202, MCA

First Name and Initial	Last Name	Social Security Number
		<input type="text"/> - <input type="text"/> - <input type="text"/>

Name and address of the financial institution where your Montana medical care savings account is established:

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Your Montana medical care savings account number:

### Part I. Allowable Deduction Calculation

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|--|----|----------------------|
| 1. Current year deposits (Column A if using MSA-Worksheet).....  | 1. | <input type="text"/> |
| 2. Deposits from prior years not previously deducted .....   | 2. | <input type="text"/> |
| 3. Add lines 1 and 2.....  | 3. | <input type="text"/> |
| 4. Enter the lesser of the amount on line 3 or \$3,000.....  | 4. | <input type="text"/> |
| 5. Interest and other income (Column B if using MSA-Worksheet).....  | 5. | <input type="text"/> |
| 6. Add lines 4 and 5. This is your Montana Medical Saving Account exclusion. Enter this amount on Form 2, Schedule II, line 18 or Form 2M, line 32 ..... | 6. | <input type="text"/> |
| 7. If the amount on line 3 is greater than \$3,000, subtract line 4 from line 3. These are your excess deposits which may be excluded next year.....     | 7. | <input type="text"/> |

### Part II. Nonqualified Withdrawals

- |  |    |                      |
|--|----|----------------------|
| 1. Nonqualified withdrawals (Column D if using MSA-Worksheet).....   | 1. | <input type="text"/> |
| Enter this amount on Form 2, Schedule I, line 7 or Form 2M, line 25.   |    |                      |
| 2. Enter the withdrawals on line 1 made on the last business day in December 2011 .....  | 2. | <input type="text"/> |
| 3. Subtract line 2 from line 1.....  | 3. | <input type="text"/> |
| 4. Multiply the amount on line 3 by 10% (0.10). Enter this amount on Form 2, line 68 or Form 2M, line 59, and write "MSA" in the space provided. This is your penalty..... | 4. | <input type="text"/> |

The Montana Medical Care Savings Account Worksheet (MSA-Worksheet) is available to help you reconcile the activity on this form by providing a log to track expenses, deposits, withdrawals, fees, and other transactions. It is not required to be completed or included with your tax return. (The MSA-Worksheet follows the instructions for this form.)

If you file your Montana tax return electronically, you do not need to mail this form to us unless we ask you for a copy. When you file electronically, you represent that you have retained the required documents in your tax records and will provide them upon the department's request.



## Form MSA General Instructions

**Purpose of this form.** A resident who establishes a medical savings account (or whose employer establishes an account for them) to pay for their own medical expenses, and those of their spouse and qualifying children is allowed to exclude contributions of up to \$3,000 annually in determining their Montana adjusted gross income, as well as interest and other income earned in the account. This form needs to be included each year with the account holder's individual income tax return.

### Definitions

**"Account holder"** is a Montana resident who establishes a Montana medical care savings account.

**"Dependent"** means your spouse and your qualified children. Your child qualifies as a dependent when the child is:

- Under the age of 19; or
- Under the age of 23 and enrolled as a full-time student at an accredited college or university; or
- Legally entitled to the provision of proper or necessary subsistence, education, medical care or other care necessary for the child's health, guidance or well-being (for example, under a child-support agreement) and is not otherwise married, self-supporting, emancipated or a member of the armed forces; or
- Mentally or physically incapacitated to the extent that the child is not self-sufficient.

**"Eligible medical expenses"** are medical expenses, defined under Internal Revenue Code at 26 U.S.C. 213(d), that you, as the account holder, pay for yourself, your spouse and your qualified children.

**"Nonqualified withdrawals"** are any withdrawals from your account that are not used for eligible medical expenses.

### What is required to establish a Montana medical care savings account?

Any Montana resident can establish a Montana medical care savings account. The account has to be held separately and cannot be a joint account with your spouse or child. If you are married, both spouses can establish their own Montana medical care savings account and take advantage of the Montana tax benefit. Your account can be established with any financial or investment institution.

Your Montana medical care savings account can be self-administered or administered by a financial institution or an accountant. Most account holders self-administer their accounts and do not utilize a third-party administrator. When you self-administer your account, use Form MSA to report your deposits and withdrawals.

### How much can I contribute to my Montana medical care savings account this year, and how much of this amount can I subtract from my federal adjusted gross income for 2011?

There is no limit in any one year on the amount that you may deposit into your Montana medical care savings account, but there is a limit on the amount that you can exclude from your federal adjusted gross income to arrive at your Montana adjusted gross income.

If your filing status is single, head of household or married filing separately, the maximum amount that you can exclude from your federal adjusted gross income in any one year is \$3,000 plus the interest or other income earned on the account. If you are filing your return jointly with your spouse and both spouses have a Montana medical care savings account, the maximum amount that you can exclude from your federal adjusted gross income is \$6,000 plus the interest or other income earned on both accounts.

### What happens if I don't use the entire amount I deposited in my Montana medical care savings account this year for medical expenses?

There is no limit on the amount of funds and interest or other income on those funds that can be retained tax-free within your account. For example, if you deposited \$500 in your account this year, but withdrew \$100 to pay for eligible medical expenses this year, your remaining balance of \$400 can be used to pay for future eligible medical expenses.

### How do contributions to my account affect my Montana taxable income?

You reduce your Montana taxable income in the year you make a contribution by the lesser of the amount you contribute to the account or \$3,000. The reduction is based on the amount you contribute, not the amount you pay for medical expenses. If you contributed \$500, but paid only \$100 for expenses in the current tax year, you would reduce your Montana adjusted gross income by \$500 even though you have not used the entire amount. If you don't deposit any additional amounts in your account next year, but you use the remaining \$400 for eligible medical expenses next year, your Montana taxable income will not be affected next year. You cannot claim an itemized deduction for medical expenses you pay from your account in either year.

### I have a federal health savings account established with my employer. Can I also have a Montana medical care savings account?

Yes, you can. The fact that you have a health savings account and are allowed a federal itemized deduction for contributions made to the account does not prevent you from establishing a separate Montana medical care savings account and making qualifying contributions to it. These accounts have to be maintained separately and the funds cannot be commingled.

**I paid several eligible medical bills from my regular checking account in 2011. Can I reimburse myself for these amounts from my Montana medical care savings account? If I can, how soon do I have to withdraw funds from my Montana medical care savings account and deposit them in my checking account?**

You can reimburse yourself from the medical savings account for eligible medical expenses you paid, even if the expenses were incurred before you established the account. You have until December 31, 2011 to withdraw funds from your Montana medical care savings account to reimburse yourself for funds withdrawn from your checking account. However, if the eligible medical expenses were paid after December 1, 2011, you have until January 15, 2012 to withdraw funds to reimburse yourself.

**I have a Montana medical care savings account. I withdrew funds during 2011 that were not used for eligible medical expenses. Are there any penalties that I have to pay because of this withdrawal?**

When you withdraw funds from your Montana medical care savings account for some purpose other than payment of "eligible medical expenses," you incur a 10% penalty on these withdrawals, unless you withdraw them on the last business day of your tax year. You will need to complete Part II of this form to calculate your penalty.

In all cases, your nonqualified withdrawals are considered ordinary income in the year that you withdraw the funds and are included as an addition to federal adjusted gross income in calculating your Montana adjusted gross income.

**What records do I have to maintain to verify that my withdrawals from my Montana medical care savings account were used for eligible medical expenses?**

You are required to maintain, as part of your tax records, documentation that proves that your withdrawals in 2011 were made for eligible medical expenses for yourself, your spouse and your eligible dependents. You are not required to provide that the actual withdrawal is used to pay for the eligible medical expenses, but you are required to provide that the withdrawal was expended for your eligible medical expenses that were paid in 2011.

**Questions?** Please call us toll free at (866) 859-2254 (in Helena, 444-6900), or access the Montana State University Extension MontGuide at [msuextension.org/publications/FamilyFinancialManagement/MT199817HR.pdf](http://msuextension.org/publications/FamilyFinancialManagement/MT199817HR.pdf).



