Montana Department of REVENUE

MONTANA
MSA
Rev 06 15

2015 Montana Medical Care Savings Account

Annual Reporting Information for Self-Administered Accounts
15-61-101 through 15-61-205, MCA

First Name and Initial	Last Name	Social Security Number
		___ – __ – ____

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

_____

_____

_____

Your Montana medical care savings account number: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Part I. Allowable Deduction Calculation

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

Part II. Nonqualified Withdrawals

1. Nonqualified withdrawals (Column D if using MSA-Worksheet) ..... 1. ☐
   Enter this amount on Form 2, Schedule I, line 7.
2. Enter the withdrawals on line 1 made on the last business day in 2015 ..... 2. ☐
3. Subtract line 2 from line 1 ..... 3. ☐
4. Multiply the amount on line 3 by 10% (0.10). Enter this amount on Form 2, line 68, and write “MSA” in the space provided. This is your penalty ..... 4. ☐

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 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 on 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 the child 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.

Frequently Asked Questions

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 2015?

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. In the following tax year, if you don't deposit any additional amounts in your account, but you use the remaining $400 for eligible medical expenses, your Montana taxable income will not be affected. 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 2015. 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, 2015 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, 2015, you have until January 15, 2016 to withdraw funds to reimburse yourself.

I have a Montana medical care savings account. I withdrew funds during 2015 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 will need to maintain documentation that proves that your withdrawals in 2015 were used to pay (either as a reimbursement or a direct payment) for eligible medical expenses in 2015 for yourself, your spouse and your eligible dependents.

Administrative Rules of Montana: 42.15.601 through 42.15.605

Questions? Please call us toll free at (866) 859-2254 (in Helena, 444-6900), or access the Montana State University Extension MontGuide at *www.montana.edu/extensionecon/savingspublications.html.*

Montana Department of REVENUE

Montana Medical Care
Savings Account Worksheet (MSA-Worksheet)

Account Holder _____

Financial Institution _____

Account Number _____ For Year Ended _____

Expenses Paid or Reimbursed

Date	Description	Amount	Paid directly from MSA?	Reimbursed from MSA?	Date reimbursed

Deposits, Withdrawals and Other Transactions

Date	Description	**Column A** Deposit amount	**Column B** Interest and other income	**Column C** Qualified withdrawals	**Column D** Nonqualified withdrawals	**Column E** Fees and other charges
	Totals					

Account Reconciliation

1. Beginning balance (If this is a new account, enter 0) ..... 1. _____
2. Total deposits (Column A) ..... 2. _____
3. Total interest and other income (Column B) ..... 3. _____
4. Add lines 2 and 3 ..... 4. _____
5. Total withdrawals (Add Columns C and D) ..... 5. _____
6. Total fees and other charges (Column E) ..... 6. _____
7. Add lines 5 and 6 ..... 7. _____
8. Ending balance. Add lines 1 and 4 and subtract line 7 ..... 8. _____

The worksheet is provided to help you track and record the information related to your medical savings account. You are not required to use this worksheet nor include a copy when you file your income tax return.

If your tax return is selected for review because you claimed the deduction for deposits into a medical savings account, this worksheet can be submitted as a summary. However, you may still be asked to provide other information such as copies of bank statements and cancelled checks.

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