

**INSTRUCTIONS HOW TO
COMPLETE PART I OF FORM 8889 FOR 2007**

By

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Introduction

Over the last several weeks, I have received a number of questions regarding how to complete Part I of Form 8889 for 2007. The reason for this is that the instructions to Form 8889 are very complex and unclear. To assist, the following shows how to complete Form 8889 in 23 different situations.

The discussion below is only 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 single High Deductible Health Plan (HDHP) coverage makes a contribution of \$2,850 during 2007 and/or 2008:

1. Check box on line 1 indicating self-only coverage during 2007.
2. Enter \$2,850 on line 2 as the contribution made for 2007.
3. Enter \$2,850 on line 3 as the contribution limitation amount for 2007.
4. Enter \$2,850 on line 5.
5. Enter \$2,850 on line 6.
6. Enter \$2,850 on line 8.
7. Enter \$2,850 on line 12.
8. Enter \$2,850 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

II. Individual under age 55 with single HDHP coverage makes a contribution of \$2,850 during 2007 and/or 2008 and has \$1,000 transferred from his employer's Health FSA or HRA to his or her 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 single HDHP coverage transfers \$2,850 from his IRA to his HSA during 2007 and/or 2008:

1. Check box on line 1 indicating self-only coverage during 2007.
2. Enter \$2,850 on line 3 as the contribution limitation amount for 2007.
3. Enter \$2,850 on line 10.

4. Enter \$2,850 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 single HDHP coverage. He or she is married filing jointly with his or her spouse with single HDHP coverage. Each spouse makes a contribution of \$2,850 to a HSA during 2007 and/or 2008:

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, \$5,700 (\$2,850 for each spouse) on line 13 and on Form 1040, line 25, or line 1040 NR, line 25).

Note: There is no indication in the instructions that the combined contribution total amount is limited by the family contribution limitation of \$5,650. If the couple claimed a deduction of \$5,700 (\$2,850 x 2), there would be an excess contribution of \$50.

V. Individual age 56 with single HDHP coverage makes a contribution of \$2,850 and makes a catch-up contribution of \$800 during 2007 and/or 2008:

1. Check box on line 1 indicating self-only coverage during 2007.
2. Enter \$3,650 on line 2 as the contribution (\$2850 and \$800) made for 2007.
3. Enter \$3,650 on line 3 as the contribution limitation amount for 2007.
4. Enter \$3,650 on line 5.
5. Enter \$3,650 on line 6.
6. Enter \$3,650 on line 8.
7. Enter \$3,650 on line 12.
8. Enter \$3,650 on lines 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

VI. Individual under age 55 with single HDHP coverage makes a contribution of \$1,850 during 2007 and/or 2008 and employer made a contribution of \$1,000 during 2007 or 2008:

1. Check box on line 1 indicating self-only coverage during 2007.
2. Enter \$1,850 on line 2 as the contribution made for 2007.
3. Enter \$2,850 on line 3 for the contribution limitation amount for 2007.
4. Enter \$2,850 on line 5.
5. Enter \$2,850 on line 6.
6. Enter \$2,850 on line 8.
7. Enter \$1,000 on line 9.
8. Enter \$1,000 on line 11.
9. Enter \$1,850 on line 12.
10. Enter \$1,850 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

VII. Individual under age 55 with single HDHP coverage who is a more than 2% shareholder in an S corporation makes a contribution of \$1,850 during 2007 and/or 2008 and the employer makes a contribution of \$1,000 during 2007 or 2008:

Complete Form 8889 as indicated above on Situation VI above, except that the taxable employer contribution should be reported in lines 2 and not on line 9 or 11. The individual should enter \$2,850 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 single HDHP coverage makes a pretax contribution of \$2,850 through cafeteria plan during 2007:

1. Check box on line 1 indicating self-only coverage during 2007.
2. Enter \$2,850 on line 3 as the contribution limitation amount for 2007.
3. Enter \$2,850 on line 5.
4. Enter \$2,850 on line 6.
5. Enter \$2,850 on line 8.
6. Enter \$2,850 on line 9.
7. Enter \$2,850 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 single HDHP coverage during the first six months of 2007 and contributes \$1,425 to an HSA during 2007 and/or 2008:

1. Check box on line 1 indicating self-only coverage during 2007.
2. Enter \$1,425 on line 2 as the contribution made for 2007.
3. Enter \$1,425 on line 3 as a contribution limitation for 2007 (Amount determined by using the Line 3 Limitation Chart and Worksheet on page 3 of the Instructions).
4. Enter \$1,425 on line 5.
5. Enter \$1,425 on line 6.
6. Enter \$1,425 on line 8.
7. Enter \$1,425 on line 12.
8. Enter \$1,425 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

X. Individual under age 55 with single HDHP coverage during the last six months of 2007 and contributes \$2,850 to an HSA during 2007 and/or 2008:

1. Check box on line 1 indicating self-only coverage during 2007.
2. Enter \$2,850 on line 2 as the contribution made for 2007.
3. Enter \$2,850 on line 3 as the contribution limitation for 2007 (last month rule, see on page 1 of the Instructions).
4. Enter \$2,850 on line 5.
5. Enter \$2,850 on line 6.
6. Enter \$2,850 on line 8.
7. Enter \$2,850 on line 12.
8. Enter \$2,850 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 2007 and single coverage for the remaining 6 months of 2007 and contributes \$4,250 for 2007:

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 2007 or indicate family coverage if an individual had such coverage on December 1.
2. Enter \$4,250 on line 2 as the contribution made for 2007.
3. Enter \$4,250 on line 3 as the contribution limitation amount of 2007 (Amount determined by using the Line 3 Limitation Chart and Worksheet on page 3 of the Instructions).
4. Enter \$4,250 on line 5.
5. Enter \$4,250 on line 6.
6. Enter \$4,250 on line 8.
7. Enter \$4,250 on line 12.
8. Enter \$4,250 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XII. Individual under age 55 with single HDHP coverage during the first six months of 2007 and family coverage for the remaining 6 months of 2007 and contributes \$5,650 for 2007:

1. Check box on line 1 indicating family coverage during 2007.
2. Enter \$5,650 on line 2 as the contribution made for 2007.
3. Enter \$5,650 on line 3 as the contribution limitation amount of 2007 (last month rule, see on page 1 of the Instructions).
4. Enter \$5,650 on line 5.
5. Enter \$5,650 on line 6.
6. Enter \$5,650 on line 8.
7. Enter \$5,650 on line 12.
8. Enter \$5,650 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 \$5,650 during 2007 and/or 2008:

1. Check box on line 1 indicating family coverage during 2007.

2. Enter \$5,650 on line 2 as the contribution made for 2007.
3. Enter \$5,650 on line 3 as the contribution limitation amount for 2007.
4. Enter \$5,650 on line 5.
5. Enter \$5,650 on line 6.
6. Enter \$5,650 on line 8.
7. Enter \$5,650 on line 12.
8. Enter \$5,650 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 \$5,650 during 2007 and/or 2008 and has \$1,000 transferred from his 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 \$5,650 from his or IRA to his HSA during 2007 and/or 2008:

1. Check box on line 1 indicating family coverage during 2007.
2. Enter \$5,650 on line 2 as the contribution made for 2007.
3. Enter \$5,650 on line 3 as the contribution limitation amount for 2007.
4. Enter \$5,650 on line 5.
5. Enter \$5,650 on line 6.
6. Enter \$5,650 on line 8.
7. Enter \$5,650 on line 10.
8. Enter \$5,650 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 HSA, then he 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 2007. He or she is married filing jointly with spouse with single HDHP coverage. The individual makes a contribution of \$5,650 and his or her spouse makes a contribution of \$2,850 to his or her HSA during 2007 and/or 2008.

Each spouse has to complete separate Form 8889.

1. For the spouse that contributed \$5,650, complete Form 8889 as indicated above on Situation XIII for steps 1 through 8 and, enter the combined amounts \$5,650 on Line 13 and on Form 1040, on Line 25 on Form 1040 NR.
2. For the spouse that had \$2,850 contributed to his or her HSA for 2007, please complete as follows:
 - a. Check box on line 1 indicating family coverage during 2007.
 - b. Enter \$2,850 on line 2 as the contribution made for 2007.
 - c. Enter \$0 on line 3 as the contribution limitation amount for 2007.
 - d. Enter \$0 on line 8.
 - e. Enter \$0 on line 12.
 - f. Enter the combined amounts \$5,650 on Line 13 and on Form 1040, line 25 or Form 1040 NR, line 25. The couple will have a excess contribution of \$2,850

XVII. Individual age 56 with family HDHP coverage makes a contribution of \$5,650 and makes a catch-up contribution of \$800 during 2007 and/or 2008:

1. Check box on line 1 indicating family coverage during 2007.
2. Enter \$6,450 on line 2 as the contribution (\$5,650 and \$800) made for 2007.
3. Enter \$5,650 on line 3 as the contribution limitation amount for 2007.
4. Enter \$5,650 on line 5.
5. Enter \$5,650 on line 6.
6. Enter \$800 on Line 7.
7. Enter \$6,450 on line 8.
8. Enter \$6,450 on line 12.
9. Enter \$6,450 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 \$5,650 and a catch-up contribution of \$1,600 during 2007 and/or 2008 (\$6,450 is contributed for one spouse and \$800 for the other spouse):

Each spouse has to complete separate Form 8889.

1. For the spouse that contributed \$6,450, complete Form 8889 as indicated above on Situation XVII for steps 1 through 8 and, enter the combined amounts \$7,250 (\$6,450 + \$800.) on Line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.
2. For the spouse that had \$800 contributed to his or her HSA for 2007, please complete as follows:
 - a. Check box on line 1 indicating family coverage during 2007.
 - b. Enter \$800 on line 2 as the contribution made for 2007.
 - c. Enter \$800 on Line 7.
 - d. Enter \$800 on line 8.
 - e. Enter \$800 on line 12.
 - f. Enter the combined amounts \$7,250 (\$6,450 + \$800.) on Line 13 and on Form 1040, line 25 or Form 1040 NR, line 25.

Note: In order for the spouse to receive an \$800 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 \$3,650 during 2007 and/or 2008 and employer made a contribution of \$2,000 during 2007 or 2008:

1. Check box on line 1 indicating family coverage during 2007.
2. Enter \$3,650 on line 2 as the contribution made for 2007.
3. Enter \$3,650 on line 3 as the contribution limitation amount for 2007.
4. Enter \$3,650 on line 6.
5. Enter \$3,650 on line 8.
6. Enter \$2,000 on line 9.
7. Enter \$2,000 on line 11
8. Enter \$3,650 on line 12.

9. Enter \$3,650 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 more than 2% shareholder in an S corporation makes a contribution of \$3,650 during 2007 and/or 2008 and the employer makes a contribution of \$2,000 during 2007 or 2008:

Complete Form 8889 as indicated above on Situation XIX above, except that the taxable employer contribution should be reported in lines 2 and not on 9 or 11. The individual should enter \$5,650 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 \$5,650 through cafeteria plan during 2007:

1. Check box on line 1 indicating family coverage during 2007.
2. Enter \$5,650 on line 3 as the contribution limitation amount for 2007.
3. Enter \$5,650 on line 6.
4. Enter \$5,650 on line 8.
5. Enter \$5,650 on line 9
6. Enter \$5,650 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 2007 and contributes \$2,825 to an HSA during 2007 and/or 2008.

1. Check box on line 1 indicating family coverage during 2007.
2. Enter \$2,825 on line 2 as the contribution made for 2007.
3. Enter \$2,825 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 \$2,825 on line 5.
5. Enter \$2,825 on line 6.
6. Enter \$2,825 on line 8.

7. Enter \$2,825 on line 12.
8. Enter \$2,825 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XXIII. Individual under age 55 with single HDHP coverage during the last six months of 2007 and contributes \$5,650 to an HSA during 2007 and/or 2008.

1. Check box on line 1 indicating family coverage during 2007.
2. Enter \$5,650 on line 2 as the contribution made for 2007.
3. Enter \$5,650 on line 3 as the contribution limitation amount for 2007 (last month rule, see on page 1 of the Instructions).
4. Enter \$5,650 on line 5.
5. Enter \$5,650 on line 6.
6. Enter \$5,650 on line 8.
7. Enter \$5,650 on line 12.
8. Enter \$5,650 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.