

**EXPLANATION OF HOW TO
COMPLETE PART I OF FORM 8889 FOR 2016**

By

Larry Grudzien

Attorney at Law

708 South Kenilworth Ave.

Oak Park, IL 60304

Ph: 708-717-9638

E-mail: larry@larrygrudzien.com

LIST OF SITUATIONS

PAGE

I. Individual under age 55 with self-only High Deductible Health Plan (“HDHP”) coverage makes a contribution of \$3,350 during 2016 and/or 2017:.....	1
II. Individual under age 55 with self-only HDHP coverage transfers \$3,350 from his or her Individual Retirement Account (“IRA”) to his or her HSA during 2016 and/or 2017:.....	1
III. 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 \$3,350 to a HSA during 2016 and/or 2017:.....	2
IV. Individual age 56 with self-only HDHP coverage makes a contribution of \$3,350 and makes a catch-up contribution of \$1,000 during 2016 and/or 2017:.....	2
V. Individual under age 55 with self-only HDHP coverage makes a contribution of \$2,350 during 2016 and/or 2017 and employer made a contribution of \$1,000 during 2016 or 2017:	2
VI. Individual under age 55 with self-only HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$2,350 during 2016 and/or 2017 and the employer makes a contribution of \$1,000 during 2016 or 2017:	3
VII. Individual under age 55 with self-only HDHP coverage makes a pretax contribution of \$3,350 through cafeteria plan during 2016:	3
VIII. Individual under age 55 with self-only HDHP coverage during the first six months of 2016 and contributes \$1,675 to a HSA during 2016 and/or 2017:.....	4
IX. Individual under age 55 with self-only HDHP coverage during the last six months of 2016 and contributes \$3,350 to a HSA during 2016 and/or 2017:.....	4
X. Individual under age 55 with family HDHP coverage during the first six months of 2016 and self-only coverage for the remaining 6 months of 2016 and contributes \$5,050 for 2016:	4
XI. Individual under age 55 with self-only HDHP coverage during the first six months of 2016 and family coverage for the remaining 6 months of 2016 and contributes \$6,750 for 2016:	5
XII. Individual under age 55 with family HDHP coverage makes a contribution of \$6,750 during 2016 and/or 2017:.....	5
XIII. Individual under age 55 with family HDHP coverage transfers \$6,750 from his or her IRA to his or her HSA during 2016 and/or 2017:	6
XIV. Individual under age 55 has family HDHP coverage during 2016. He or she is married filing jointly with spouse with self-only HDHP coverage. The individual makes a contribution of \$6,750 and his or her spouse makes a contribution of \$3,350 to his or her HSA during 2016 and/or 2017:	6
XV. Individual age 56 with family HDHP coverage makes a contribution of \$6,750 and makes a catch-up contribution of \$1,000 during 2016 and/or 2017:.....	7

XVI. Individual age 56 with family HDHP coverage with a covered spouse age 56 makes a contribution of \$6,750 and a catch-up contribution of \$2,000, during 2016 and/or 2017 (\$7,750 is contributed for one spouse and \$1,000 for the other spouse):..... 7

XVII. Individual under age 55 with family HDHP coverage makes a contribution of \$4,750 during 2016 and/or 2017 and employer made a contribution of \$2,000 during 2016 or 2017: 8

XVIII. Individual under age 55 with family HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$4,750 during 2016 and/or 2016 and the employer makes a contribution of \$2,000 during 2016 or 2017: 9

XIX. Individual under age 55 with family HDHP coverage made a pretax contribution of \$6,750 through a cafeteria plan during 2016: 9

XX. Individual under age 55 with family HDHP coverage during the first six months of 2016 and contributes \$3,375 to a HSA during 2016 and/or 2017: 9

XXI. Individual under age 55 with family HDHP coverage during the last six months of 2016 and contributes \$6,750 to a HSA during 2016 and/or 2017: 10

XXII. 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 \$6,750 for him or herself and \$6,750 for his or her domestic partner. 10

XXIII. 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 \$6,750 for him or herself and \$6,750 for his or her domestic partner. 10

XXIV. 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 \$6,750 for him or herself and \$6,750 for his or her son..... 10

XXV. 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 \$6,750 for him or herself and \$6,750 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 explanation shows how to complete Form 8889 in 25 different situations for 2016.

This explanation 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 \$3,350 during 2016 and/or 2017:

1. Check box on line 1 indicating self-only coverage during 2016.
2. Enter \$3,350 on line 2 as the contribution made for 2016.
3. Enter \$3,350 on line 3 as the contribution limitation amount for 2016.
4. Enter \$3,350 on line 5.
5. Enter \$3,350 on line 6.
6. Enter \$3,350 on line 8.
7. Enter \$3,350 on line 12.
8. Enter \$3,350 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 transfers \$3,350 from his or her Individual Retirement Account (“IRA”) to his or her HSA during 2016 and/or 2017:

1. Check box on line 1 indicating self-only coverage during 2016.
2. Enter \$3,350 on line 3 as the contribution limitation amount for 2016.
3. Enter \$3,350 on line 10.
4. Enter \$3,350 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.

III. 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 \$3,350 to a HSA during 2016 and/or 2017:

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, \$6,700 (\$3,350 for each spouse) on line 13 and on Form 1040, line 25, or line 1040 NR, line 25).

Note: The couple can claim a deduction of \$6,700 (\$3,350 x 2).

IV. Individual age 56 with self-only HDHP coverage makes a contribution of \$3,350 and makes a catch-up contribution of \$1,000 during 2016 and/or 2017:

1. Check box on line 1 indicating self-only coverage during 2016.
2. Enter \$4,350 on line 2 as the contribution (\$3,350 and \$1,000) made for 2016.
3. Enter \$4,350 on line 3 as the contribution limitation amount for 2016.
4. Enter \$4,350 on line 5.
5. Enter \$4,350 on line 6.
6. Enter \$4,350 on line 8.
7. Enter \$4,350 on line 12.
8. Enter \$4,350 on lines 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

V. Individual under age 55 with self-only HDHP coverage makes a contribution of \$2,350 during 2016 and/or 2017 and employer made a contribution of \$1,000 during 2016 or 2017:

1. Check box on line 1 indicating self-only coverage during 2016.
2. Enter \$2,350 on line 2 as the contribution made for 2016.

3. Enter \$3,350 on line 3 for the contribution limitation amount for 2016.
4. Enter \$3,350 on line 5.
5. Enter \$3,350 on line 6.
6. Enter \$3,350 on line 8.
7. Enter \$1,000 on line 9.
8. Enter \$1,000 on line 11.
9. Enter \$2,350 on line 12.
10. Enter \$2,350 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

VI. Individual under age 55 with self-only HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$2,350 during 2016 and/or 2017 and the employer makes a contribution of \$1,000 during 2016 or 2017:

Complete Form 8889 as indicated above on Situation V above, except that the taxable employer contribution should be reported in line 2 and not on lines 9 or 11. The individual should enter \$3,350 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.

VII. Individual under age 55 with self-only HDHP coverage makes a pretax contribution of \$3,350 through cafeteria plan during 2016:

1. Check box on line 1 indicating self-only coverage during 2016.
2. Enter \$3,350 on line 3 as the contribution limitation amount for 2016.
3. Enter \$3,350 on line 5.
4. Enter \$3,350 on line 6.
5. Enter \$3,350 on line 8.
6. Enter \$3,350 on line 9.
7. Enter \$3,350 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.

VIII. Individual under age 55 with self-only HDHP coverage during the first six months of 2016 and contributes \$1,675 to a HSA during 2016 and/or 2017:

1. Check box on line 1 indicating self-only coverage during 2016.
2. Enter \$1,675 on line 2 as the contribution made for 2016.
3. Enter \$1,675 on line 3 as a contribution limitation for 2016 (amount determined by using the Line 3 Limitation Chart and Worksheet on page 3 of the Instructions).
4. Enter \$1,675 on line 5.
5. Enter \$1,675 on line 6.
6. Enter \$1,675 on line 8.
7. Enter \$1,675 on line 12.
8. Enter \$1,675 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

IX. Individual under age 55 with self-only HDHP coverage during the last six months of 2016 and contributes \$3,350 to a HSA during 2016 and/or 2017:

1. Check box on line 1 indicating self-only coverage during 2016.
2. Enter \$3,350 on line 2 as the contribution made for 2016.
3. Enter \$3,350 on line 3 as the contribution limitation for 2016 (last month rule, see on page 1 of the Instructions).
4. Enter \$3,350 on line 5.
5. Enter \$3,350 on line 6.
6. Enter \$3,350 on line 8.
7. Enter \$3,350 on line 12.
8. Enter \$3,350 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

X. Individual under age 55 with family HDHP coverage during the first six months of 2016 and self-only coverage for the remaining 6 months of 2016 and contributes \$5,050 for 2016:

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 2016 or indicate family coverage if an individual had such coverage on December 1.

2. Enter \$5,050 on line 2 as the contribution made for 2016.
3. Enter \$5,050 on line 3 as the contribution limitation amount of 2016 (amount determined by using the Line 3 Limitation Chart and Worksheet on page 3 of the Instructions).
4. Enter \$5,050 on line 5.
5. Enter \$5,050 on line 6.
6. Enter \$5,050 on line 8.
7. Enter \$5,050 on line 12.
8. Enter \$5,050 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XI. Individual under age 55 with self-only HDHP coverage during the first six months of 2016 and family coverage for the remaining 6 months of 2016 and contributes \$6,750 for 2016:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$6,750 on line 2 as the contribution made for 2016.
3. Enter \$6,750 on line 3 as the contribution limitation amount of 2016 (last month rule, see on page 1 of the Instructions).
4. Enter \$6,750 on line 5.
5. Enter \$6,750 on line 6.
6. Enter \$6,750 on line 8.
7. Enter \$6,750 on line 12.
8. Enter \$6,750 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XII. Individual under age 55 with family HDHP coverage makes a contribution of \$6,750 during 2016 and/or 2017:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$6,750 on line 2 as the contribution made for 2016.

3. Enter \$6,750 on line 3 as the contribution limitation amount for 2016.
4. Enter \$6,750 on line 5.
5. Enter \$6,750 on line 6.
6. Enter \$6,750 on line 8.
7. Enter \$6,750 on line 12.
8. Enter \$6,750 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 transfers \$6,750 from his or her IRA to his or her HSA during 2016 and/or 2017:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$6,750 on line 2 as the contribution made for 2016.
3. Enter \$6,750 on line 3 as the contribution limitation amount for 2016.
4. Enter \$6,750 on line 5.
5. Enter \$6,750 on line 6.
6. Enter \$6,750 on line 8.
7. Enter \$6,750 on line 10.
8. Enter \$6,750 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.
--

XIV. Individual under age 55 has family HDHP coverage during 2016. He or she is married filing jointly with spouse with self-only HDHP coverage. The individual makes a contribution of \$6,750 and his or her spouse makes a contribution of \$3,350 to his or her HSA during 2016 and/or 2017:

Each spouse has to complete separate Form 8889.

1. For the spouse that contributed \$6,750, complete Form 8889 as indicated above on Situation XII for steps 1 through 8 and, enter the combined amounts \$6,750 on Line 13 and on Form 1040, on Line 25 on Form 1040 NR.
2. For the spouse that had \$3,350 contributed to his or her HSA for 2016, please complete as follows:
 - a. Check box on line 1 indicating family coverage during 2016.
 - b. Enter \$3,350 on line 2 as the contribution made for 2016.
 - c. Enter \$0 on line 3 as the contribution limitation amount for 2016.
 - d. Enter \$0 on line 8.
 - e. Enter \$0 on line 12.
 - f. Enter the combined amounts \$6,750 on Line 13 and on Form 1040, line 25 or Form 1040 NR, line 25. The couple will have an excess contribution of \$3,350.

XV. Individual age 56 with family HDHP coverage makes a contribution of \$6,750 and makes a catch-up contribution of \$1,000 during 2016 and/or 2017:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$7,750 on line 2 as the contribution (\$6,750 and \$1,000) made for 2016.
3. Enter \$6,750 on line 3 as the contribution limitation amount for 2016.
4. Enter \$6,750 on line 5.
5. Enter \$6,750 on line 6.
6. Enter \$1,000 on Line 7.
7. Enter \$7,750 on line 8.
8. Enter \$7,750 on line 12.
9. Enter \$7,750 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XVI. Individual age 56 with family HDHP coverage with a covered spouse age 56 makes a contribution of \$6,750 and a catch-up contribution of \$2,000, during 2016 and/or 2017 (\$7,750 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 \$7,750, complete Form 8889 as indicated above on Situation XV for steps 1 through 8 and, enter the combined amounts \$8,650, (\$7,750 + \$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 2016, please complete as follows:
 - a. Check box on line 1 indicating family coverage during 2016.
 - b. Enter \$1,000 on line 2 as the contribution made for 2016.
 - 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 \$8,750 (\$7,750 + \$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.

XVII. Individual under age 55 with family HDHP coverage makes a contribution of \$4,750 during 2016 and/or 2017 and employer made a contribution of \$2,000 during 2016 or 2017:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$4,760 on line 2 as the contribution made for 2016.
3. Enter \$4,750 on line 3 as the contribution limitation amount for 2016.
4. Enter \$4,750 on line 6.
5. Enter \$4,750 on line 8.
6. Enter \$2,000 on line 9.
7. Enter \$2,000 on line 11.
8. Enter \$4,750 on line 12.
9. Enter \$4,750 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XVIII. Individual under age 55 with family HDHP coverage who is a more than 2% shareholder in a S corporation makes a contribution of \$4,750 during 2016 and/or 2017 and the employer makes a contribution of \$2,000 during 2016 or 2017:

Complete Form 8889 as indicated above on Situation XVII above, except that the taxable employer contribution should be reported in line 2 and not on lines 9 or 11. The individual should enter \$6,750 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.

XIX. Individual under age 55 with family HDHP coverage made a pretax contribution of \$6,750 through a cafeteria plan during 2016:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$6,750 on line 3 as the contribution limitation amount for 2016.
3. Enter \$6,750 on line 6.
4. Enter \$6,750 on line 8.
5. Enter \$6,750 on line 9.
6. Enter \$6,750 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.

XX. Individual under age 55 with family HDHP coverage during the first six months of 2016 and contributes \$3,375 to a HSA during 2016 and/or 2017:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$3,375 on line 2 as the contribution made for 2016.
3. Enter \$3,375 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 \$3,375 on line 5.
5. Enter \$3,375 on line 6.
6. Enter \$3,375 on line 8.
7. Enter \$3,375 on line 12.

8. Enter \$3,375 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XXI. Individual under age 55 with family HDHP coverage during the last six months of 2016 and contributes \$6,750 to a HSA during 2016 and/or 2017:

1. Check box on line 1 indicating family coverage during 2016.
2. Enter \$6,750 on line 2 as the contribution made for 2016.
3. Enter \$6,750 on line 3 as the contribution limitation amount for 2016 (last month rule, see on page 1 of the Instructions).
4. Enter \$6,750 on line 5.
5. Enter \$6,750 on line 6.
6. Enter \$6,750 on line 8.
7. Enter \$6,750 on line 12.
8. Enter \$6,750 on line 13 and on Form 1040, line 25, or on Form 1040 NR, line 25.

XXII. 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 \$6,750 for him or herself and \$6,750 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.

XXIII. 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 \$6,750 for him or herself and \$6,750 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, 2017 or would face penalties.

XXIV. 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 \$6,750 for him or herself and \$6,750 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.

XXV. 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 \$6,750 for him or herself and \$6,750 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, 2017 or he would face penalties.