Save Money by Opening an MSA  
(Montana Medical Care Savings Account)

A Montana Medical Care Savings Account (MSA) allows Montanans to save money for medical expenses and long-term health care and reduce their state income taxes at the same time.

**FACTS**

- All Montana resident taxpayers are eligible to establish MSAs even if they have another health care plan provided by their employer.
- Maximum contribution limit to reduce Montana taxable income is $3,000 ($6,000 married couple).
- Joint accounts are not allowed. Spouses must establish separate accounts.
- MSAs can be established at a bank, savings bank, credit union, or mutual fund company.
- Money deposited into an MSA is not subject to Montana income taxation while in the account or if used for eligible medical care expenses.

**TEST YOUR KNOWLEDGE**  
(Answers on back)

1. What is **not** an eligible Medical Care Expense?
   - A. Eyeglasses
   - B. Prescription Drugs
   - C. Dental care
   - D. Hearing Aids
   - E. Medicare A premiums
   - F. Doctor’s visits

2. What percent of Montanans have MSAs?
   - A. 95.6%
   - B. 82.9%
   - C. 59.3%
   - D. 20.2%
   - E. 76.4%
   - F. 1.4%

3. Who are eligible to use funds in an MSA? (*Circle all that apply*)
   - A. Account holder
   - B. Account holder’s spouse
   - C. Child of account holder younger than 19
   - D. Child of account holder younger than 23 enrolled as full-time student at an accredited college or university
   - E. Grandparents staying with adult children

**Example:**

Barbara, a county employee, established an MSA at a local bank and deposited $3,000 in the account on January 31. During the year, she had $2,000 in eligible medical expenses. On Barbara’s Montana Individual Tax Return, her taxable income of $29,000 is reduced by her $3,000 MSA deposit, not the $2,000 she withdrew for eligible medical care expenses.
MONTANA 2015 TAX BRACKETS AND RATES

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<th>Then your tax rate is:</th>
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<tr>
<td>$0</td>
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<td>$17,100 or more</td>
<td>6.9%</td>
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Web site: www.revenue.mt.gov

HOW MUCH IS SAVED ON STATE INCOME TAXES? QUIZ

Question 1:
Nina reduced her Montana taxable income of $34,500 by the $3,000 she deposited into her MSA at a local credit union. Because she earns above $17,100, she is in the 6.9% tax bracket.

By what amount does her $3,000 MSA deposit reduce her 2015 Montana Income tax? ________________

Question 2:
Rob and Sheila deposited $3,000 each in an MSA at a local savings bank. The deposits lowered their Montana taxable income by $6,000. They are in the 6.9% tax bracket, which means their income is taxed at 6.9%.

By what amount does their MSA deposit reduce their 2015 Montana Income tax? ________________

WHAT ARE ELIGIBLE MEDICAL CARE EXPENSES?

The Montana Department of Revenue accepts eligible medical care expenses that are also allowed as itemized deductions for federal income tax purposes such as:
- Medical insurance premiums
- Prescription Drugs
- Insulin
- Medical, dental, and nursing care
- Eyeglasses
- Crutches
- Hearing aids
- Transportation for medical care
- Certain lodging expenses

A listing of eligible Medical care expenses for Montana MSA is available in IRS Publication 502 “Medical and Dental Expenses” at www.irs.gov.

MSU Extension has a fact sheet titled “Montana Medical Care Savings Accounts”. This fact sheet can be downloaded at www.montana.edu. Then search for “MSA” or contact your local county Extension office.

HOW MUCH IS SAVED ON STATE INCOME TAXES? QUIZ

1. E.  Medicare A Premiums
2. B.  1.4%
3. A, B, C, D
4. E.  Medical A Premiums

Test Your Knowledge: ________________

Answers

Credit: Keri D. Hayes, MSU Extension Economics Publications Assistant