

Open a Medical Savings Account before Dec. 31 for 2013 tax savings

Have you had any medical expenses during 2013 that are not covered by a health insurance policy or a flexible spending account (FSA)? If so, you can open a Montana Medical Care Savings Account (MSA) by Dec. 31 to cover those expenses. Up to \$3,000 of your deposit in the account, per taxpayer, is deductible from 2013 Montana adjusted gross income, thus reducing taxes.

"This tax advantage does not apply to your federal income taxes and should not be confused with the Federal Health Savings Accounts (FHAs)," cautions Marsha Goetting, MSU Extension family economics specialist.

People should contact their financial institution, such as a bank, savings bank or credit union, to establish an MSA. A Montanan with taxable income over \$16,400 could save about \$207 in state income taxes by depositing the maximum \$3,000 in a Montana MSA.

"It doesn't matter if you have already paid your 2013 medical bills either by check, credit or debit card," said Goetting. "You can add up those expenses and make a deposit by December 31 of this year and reimburse yourself from your Montana MSA as late as January 15, 2014."

The key word is paid. You can reimburse yourself for *paid* eligible medical expenses as late as January 15, 2014. But if you haven't yet paid those bills because your health insurance company hasn't sorted out what it will pay and what you still owe, you still can reimburse yourself for those 2013 expenses after the January 15 date.

The amount that you can reduce your Montana income is the total deposited, not the amount used for medical expenses during the tax year. For example, if you deposited \$3,000 in an MSA but only used \$100 for eligible medical expenses during the year, you still get to reduce your income for Montana income tax purposes by \$3,000. The remaining \$2,900 is available for paying medical expense in future years.

A husband and wife who each establish an individual MSA can receive a \$6,000 deduction if they file a joint Montana income tax return. They will save about \$414 on their state income taxes. Joint accounts for an MSA are not allowed. Only individual accounts are eligible for the Montana MSA deduction, thus husbands and wives must open separate MSA accounts.

MSA amounts held in the name of a husband or wife can be used to pay the medical bills of either spouse or their dependent children, Goetting said. For example, "if a husband had \$6,000 in medical expenses during 2012, \$3,000 from his MSA and \$3,000 from his wife's MSA could be used," said Goetting.

"Montana Medical Care Savings Accounts are not like flexible spending accounts where you use it or lose it," Goetting emphasized.

Eligible expenses include medical and dental insurance premiums, long-term care insurance, dental care (including orthodontists), eyeglasses or contacts, or prescription drugs that are paid during the year. Not covered are medical-related bills that have been already covered by a supplemental, primary or self-insured plan. Basically, Montana accepts as eligible expenses any that are listed in the IRS 502 Publication, "Medical and Dental Expenses," which is on the Web at www.irs.gov/pub/irs-pdf/p502.pdf.

An MSU Extension MontGuide will help you decide if you would benefit from a Montana medical care savings account. The publication (MontGuide 199817 HR) is free if picked up from your local MSU County Extension office. Or, download it free from the web at <http://msuextension.org/publications/FamilyFinancialManagement/MT199817HR.pdf>