



Employer Welcome Kit

Paying for healthcare just became easier.

Thank you for choosing to recommend the First Horizon Health Savings Account (HSA) to your employees who enroll in an HSA-qualified health plan. We have developed this program to meet both the needs of employees and employers like you who are involved in plan administration and funding. This kit is designed to answer some basic questions you may have about the First Horizon HSA program for your employees.

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Employee Enrollment

There are two ways for employees to open their HSAs: online enrollment and paper enrollment.

Online Enrollment

For those with Internet access, online enrollment is the quickest and easiest way to enroll. You should have already received a special Web link that your employees can use to open their HSAs online. Simply distribute this link via email to eligible employees. When they click on the link they will be taken to an online enrollment form already pre-filled with information specific to your group.

Employees who enroll online through this special Web link will be automatically associated with your employer group for purposes of funding the account.

Please note that for paper and online applications, we attempt to verify the applicant's identity through the use of third-party databases. In most cases, this means that we will not require a copy of a photo ID to verify the account holder's identity as required by the USA PATRIOT Act. However, if we are unable to complete the enrollment process based on information supplied we will contact the applicant and request additional proof of identity in order to open the account.

Paper Enrollment

Employees can also enroll by completing the paper account application. You should have already received a PDF of the account application. Simply distribute this file via email or printed copy to eligible employees. Employees should send the completed account application by fax or mail to First Horizon Msaver (contact information provided on Page 9 of this kit).

NOTE: When enrolling with a paper application it is recommended that employees include a copy of a valid photo ID (such as driver's license) with their application.

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HSA Funding

Usually, the most important role employers play with respect to their employees' HSAs is the periodic funding of accounts through employer contributions and/or pre-tax deductions from the employees' paychecks. First Horizon Msaver offers employers several ways to fund their employees' HSAs. The following is an overview of the different funding methods available to employers.

Method 1—Employer Funding Portal (EFP) (Recommended for groups of less than 300 employees)

The EFP lets you fund your employees' HSAs online through a paperless, ACH process. This free service also allows employers to verify open accounts, track contributions, and download reports for record-keeping purposes. Contributions can be set up to run automatically, or can be created manually.

- In order to use the EFP, it is necessary to complete and sign the Employer Funding Portal Agreement that authorizes ACH transfers from your company's bank account. This form is available online at www.firsthorizonmsaver.com. Complete and sign the form and send it to First Horizon Msaver per the instructions provided on the Employer Funding Portal Agreement.
- Once First Horizon Msaver receives the signed Employer Funding Portal Agreement, an email containing the information you will need to use the EFP will be sent to the email address provided on the agreement you submitted. This email will arrive in approximately two business days. (**NOTE:** Please do not mail in checks for HSA deposits once you have registered to use the EFP.)

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HSA Funding (cont.)

Method 2—Automated Clearing House Electronic Funding (Groups of any size)

To set up Automated Clearing House (ACH) electronic funding, you will need to contact the bank where your business account is held. First Horizon Msaver will provide you with a file containing the details needed to set up the ACH file with your bank.

Please call your enrollment specialist for more details.

Method 3—Flat File (Groups of any size)

This method allows employers to fund accounts electronically. First Horizon Msaver will provide you with the file format to be used and instructions for funding the file. Employers send funds to First Horizon Msaver via ACH or wire transfer, and then First Horizon Msaver converts the flat file into an ACH file in order to fund the accounts.

Method 4—Check (Only groups with less than 50 participants can use this method)

Employers can mail First Horizon Msaver a single business check along with a spreadsheet listing the individual contribution amounts for each employee account. The spreadsheet that accompanies each check must include each employee's name, Social Security Number and contribution amount (see example below).

Name	SSN	Employer Contribution	Employee Contribution	Total
Kelly Jones	xxx-xx-xxxx	30.00	30.00	60.00
Luke Spencer	xxx-xxx-xxxx	30.00	50.00	80.00
			Check Total	140.00

Checks must be made payable to **First Horizon Bank** and mailed to First Horizon Msaver (mailing address provided on Page 9 of this kit).

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HSA Contribution Limits

Who can contribute to an HSA?

Any individual who meets the eligibility requirements can contribute to an HSA. The employee, the employer, or both can contribute to the HSA in a given year. HSA contribution limits are determined by the IRS and adjusted for annually for inflation. Annual contribution limits are as follows:

- **Individuals with self-only coverage**—\$3,000 in 2009 and \$3,050 in 2010*
- **Individuals with family coverage**—\$5,950 in 2009 and \$6,150 in 2010*

*Account holders who are HSA-eligible for only part of the year can still make the full, tax-deductible contribution for that year. However, they must remain HSA-eligible for at least twelve months after benefiting from this special rule in order to avoid potential taxes and penalties.

Individuals age 55 and older can also make an additional catch-up contribution each year. Limits on catch-up contributions are as follows:

- **2009 and after**—\$1,000

What is the latest date one can make a contribution to an HSA?

Account holders have until April 15 of the following year to make contributions for the current tax year. The contribution must be credited to the account by April 15. All deposits are credited as current year contributions unless otherwise noted. The account holder can indicate the type of contribution, current or prior year, on the deposit slip that accompanies the check.

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Tax Information for Employers

What is the tax treatment of employer contributions?

- **Employer contributions** to the employee's HSA are treated as employer-provided coverage for medical expenses under a health plan and are excludible from the employee's gross income. The employer contributions are not subject to FICA, Social Security, FUTA, or the Railroad Retirement Tax Act and generally state unemployment taxes.
- **Employee pre-tax contributions** made to an employee's HSA through a cafeteria plan are treated as employer contributions. The employee's income will be reduced by the amount of the contribution.
- **Individual post-tax contributions** are made by the individual or employer on an after-tax basis. These funds can be claimed by the employee as a tax deduction at the end of the year.

What reporting is required by the employer for an HSA?

Pre-tax HSA contributions made by both the employer and the employee must be reported on the employee's W-2 form in Box 12. Enter "W" for HSA contributions.

What tax forms will employers receive concerning their employees' HSAs?

Employers will not receive any tax documents from First Horizon Msaver. It is the employer's responsibility to keep track of total contributions made for each employees' W-2.

What tax forms will employees receive regarding their HSAs?

Employees will receive a 1099-SA statement each year after December 31. This form reports total distributions made from the HSA during the previous calendar year. They will also receive a 5498-SA statement each year after April 15. This form reports total contributions made to the HSA during the previous year.

First Horizon Bank also sends copies of these forms to the IRS, so employees can keep the copy they receive for their records. Employees should review the forms for accuracy and notify First Horizon Msaver immediately if there is an error.

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Employer FAQs

Can an HSA be offered under a cafeteria plan?

Yes. Both an HSA and the qualifying health plan can be offered as options under a cafeteria plan. An employee can elect to have amounts contributed as employer contributions to an HSA and toward the health plan on a salary-reduction basis. Salary reduction contributions are not actually or constructively received by the participant, therefore, those contributions are not considered wages for federal income tax purposes. In addition, those contributions are not subject to FICA and FUTA.

If employers make contributions through a cafeteria plan, the rules of comparable contributions do not apply; however, the cafeteria plan will be subject to discrimination testing.

What discrimination rules apply to HSAs?

An employer who makes HSA contributions must make available comparable contributions on behalf of all “comparable participating employees” (i.e. eligible employees with comparable coverage) during the same period. Contributions are considered comparable if they are either the same amount or same percentage of the deductible. The comparability rule is applied separately to part-time employees.

If employer contributions do not satisfy the comparability rule during a given period, the employer is subject to an excise tax equal to 35 percent of the aggregate amount contributed to HSAs by the employer for that period.

Can employers pay the HSA administration fee for their employees who enroll in a First Horizon HSA?

Yes. If an employer wishes to pay administration fees for their employees who enroll in a First Horizon HSA, they can select this option when they complete the employer registration form.

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Employer FAQs (cont.)

What happens to an employee's HSA if he or she terminates employment?

If an employee terminates employment, the employer should contact First Horizon Msaver as soon as possible to remove the employee from the group. First Horizon Msaver can also assist employers with any questions about how to discontinue contributions or change contribution amounts.

Since HSAs are individually-owned, the former employee can continue to use funds in the HSA to pay for qualified medical expenses. However, they cannot make any additional contributions to the account if they are no longer covered under an HSA-qualified health plan.

How do new employees open their accounts?

New employees who meet all the necessary eligibility requirements can enroll in a First Horizon HSA electronically through the special employer Web link or by completing a paper application. Refer to Page 2 of this kit for detailed instructions.

Employers can contact First Horizon Msaver at **866-889-8583** with any questions about how to add a new employee to their group or change contribution amounts.

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Contact Information

If you have any questions or concerns, please feel free to contact us.

Toll-Free Phone Number:

866-889-8583

Fax Number:

913-451-2079

Customer Service Email Address:

Msaver@ftb.com

Mailing Address:

First Horizon Msaver
P.O. Box 26106
Shawnee Mission, KS 66225

Overnight Delivery Address:

First Horizon Msaver
7400 West 110th Street, Suite 520
Overland Park, KS 66210

You can also find more information online at www.firsthorizonmsaver.com.

