Overview

Q. What is a Health Savings Account (HSA)?
A. An HSA is a pre-tax account you set up with a high-deductible health plan to help pay for or reimburse current and future IRS-approved qualified medical expenses not covered by a group health plan. For a description of qualified expenses, refer to IRS Publication 502, which is available at www.irs.gov/publications/p502.

Q. Is the HSA an employer-sponsored plan?
A. No, the HSA offered with the JCPenney HSA qualified medical plans, like the HSA 1500 and HSA 2000, is an individual bank account. Associates who satisfy HSA eligibility requirements may elect to establish and contribute to the HSA as a customer of Bank of America.

Q. Can I have more than one HSA?
A. Yes, you may have more than one HSA. However, your maximum annual contribution amount is subject to a combined limit established by the IRS. So, if you have more than one HSA, contributions to all of your HSAs from all sources must not exceed your maximum annual contribution limit. For 2014, the maximum is $3,300 (individual) and $6,550 (family).

Q. Once I receive my HSA credit card from Bank of America, what do I do next?
A. Go to bankofamerica.com/benefitslogin and create a New User name and password for your account.
Q: Do I have to enter my SSN on the New User Setup page when I enroll in an HSA with Bank of America?
A: No. You may use your employee ID and enter leading zeroes so that the total number of digits equals 11 (e.g. If your employee ID is 1234567, then enter 00001234567).

HSA Eligibility

Q: What are the basic eligibility requirements to open and fund an HSA?
A: You are allowed to open and fund an HSA as long as you meet the following criteria:
- Must be covered by an HSA-compatible, high deductible health plan (HDHP), like the JCPenney HSA 1500 or HSA 2000 plan options.
- Cannot have additional health insurance coverage that does not meet the requirements of an HDHP (this requirement does not apply to specific injury insurance and accident, disability, dental care, vision care, long-term care).
- Cannot be listed as a dependent on another person’s tax return.
- Cannot be enrolled in benefits under Medicare or Tricare.

Q: What types of health plan coverage will make me ineligible to open and make contributions to an HSA?
A: You may not have an HSA:
- If you enroll in a non-HSA qualified medical plan option such as the HRA 1000
- If you enroll in a general purpose health care flexible spending account (FSA)
- If you are enrolled in family coverage and your spouse is enrolled in a health care flexible spending account (FSA) sponsored by his or her employer, even if your spouse does not intend to use the account to be reimbursed for your expenses – special rules apply for limited purpose FSA’s.

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• If you have coverage under TRICARE
• If you are a recipient of non-preventive care medical benefits from the Veterans Administration or one of its facilities, including prescription drugs, during the previous three months
• If you are enrolled in (not just eligible for) Medicare

Q: Can I enroll in the HSA 1500 or HSA 2000 and not open an HSA?
A: Yes, but if you do not open an HSA, you will not receive the company funding nor will you be able to make payroll contributions.

Q: Can I open an HSA during annual enrollment if I do not enroll in the HSA 1500 or HSA 2000?
A: No. In order to establish an HSA, you must first enroll in one of these medical plan options.

Q: If I enroll in the HSA 1500 or HSA 2000 with the HSA, can I elect to participate in the medical Flexible Spending Account also?
A: No. The Internal Revenue Service (IRS) prohibits you from participating in a general purpose medical Flexible Spending Account when you participate in a medical plan that offers a Health Savings Account (HSA).

Q: Can my spouse and I both contribute to an HSA?
A: Yes, provided your spouse is also covered under an HSA-qualified high-deductible health plan. Please note, however, that the opportunity to establish an HSA through Bank of America is only available to associates of JCPenney who elect coverage under the JCPenney HSA 1500 or HSA 2000.

Q: I provide coverage for my family, but file a joint federal income tax return with my spouse. Does this mean I am not eligible to establish an HSA?
A: No, filing your federal income taxes jointly with your spouse does not mean that you are a dependent on your spouse’s tax return. Provided that you satisfy the other HSA eligibility requirements and enroll in coverage under the HSA 1500 or HSA 2000, you will be eligible to establish an HSA.

Q: Both my spouse and I work for JCPenney; can we each establish an HSA?
A: Yes, if you both choose coverage you may each have an HSA.

Q: Can a contribution be made and an HSA be used to reimburse services for a domestic partner who is not a spouse?
A: If the domestic partner does not qualify as a spouse or tax dependent, federal law does not permit contributions into or reimbursements from the HSA on behalf of a domestic partner.

Q: Can I pay for medical expenses for my domestic partner who is not a spouse with my HSA funds?
A: Similar to all other benefits, domestic partners are not currently eligible dependents for pre-tax benefits. You can still elect to cover a same-sex domestic partner as a dependent under the JCPenney medical benefit plan; however, imputed income (taxation) will be applied accordingly.

Q: If I elect coverage under the HSA 1500 or HSA 2000 options under COBRA, can I open an HSA?
A: Provided that you satisfy the other HSA eligibility requirements, you may open an HSA.

Q: I have received VA disability benefits because of a military-related injury. Am I ineligible to establish an HSA?
A: No, receipt of VA disability benefits will not render you ineligible to establish an HSA. However, if you have received VA non-preventive medical or prescription drug services within the last three months, you generally will not be eligible to establish or make contributions to an HSA until after a three-month period has passed since your most recent receipt of VA medical or prescription drug benefits. Please note, if you are eligible for VA medical benefits but only received medical care for preventive care or other disregarded coverage, your eligibility to establish or contribute to an HSA will not be affected.

Opening My HSA

Q: Where do I go to open my HSA?
A: Your account is automatically opened if you enroll in either the HSA 1500 or HSA 2000 options during annual enrollment. New hires will need to wait 10 business days after your benefits election date before your HSA account is automatically opened.

Q: What is the deadline for opening my HSA?
A: There is no deadline. The account is automatically opened with your election of either the HSA 1500 or HSA 2000 medical plan options.

Q: When do my deductions begin?
A: For annual enrollment, in most cases, your associate contribution deductions should begin the first paycheck of the new plan year. For new hires, the effective date of the HSA will always be the first of the month coinciding with or following enrollment in the HSA 1500 or HSA 2000. It may take one to three payroll cycles for your associate deductions to begin.

HSA Contributions

Q: If I enroll in the HSA 1500 or HSA 2000 Plan for the first time during Annual Enrollment for 2014 and I complete the HSA account opening process, when do my contributions begin?
A: Even though your HSA account information will appear on Bank of America’s website shortly after your account is opened, you are not eligible to contribute to your account until January 1, 2014 when coverage in the JCPenney HSA 1500 or HSA 2000 becomes effective.

If you open your HSA by December 20, you can expect your associate and employer contributions to be posted to your HSA in the first full pay period of 2014. Otherwise, your associate and employer contributions should be posted to your HSA account in one to three payroll cycles following the approval of your application. Please note that to receive the HSA contributions you must be a participant in the HSA 1500 or HSA 2000 plan options on the date of funding. So if you change your plan election, you will not receive the contribution.

Q: When will the company contribution be deposited into my Health Savings Account if I enrolled in the HSA 1500?
A: The company’s annual contribution is divided by the number of pay periods in the plan year and deposited each pay period into your Health Savings Account. Company contributions for new hires throughout the year are prorated.

Q: How may I contribute to the HSA?
A: You may contribute through payroll deduction (you may change the amount whenever you like), with a personal check, or online with a transfer from another bank account. In the event your transfer funds from another bank account, you should report the tax deductible amount on IRS Form 8899 and include the amount on your federal return.

Q: Is there a minimum amount I must contribute to my HSA each year?
A: No

Q: Who is responsible for determining the maximum annual contribution amount?
A: The annual limits are released by the Internal Revenue Service (IRS) each year. For 2014, the maximum contributions from all sources are $3,300 for associate only and $6,550 for all other coverage tiers (if the dependent(s) qualify as a tax dependent). There is an additional $1,000 catch-up contribution available to anyone who reaches age 55 or older in 2014.

It is your responsibility to ensure that you do not contribute more than the maximum amount permitted during any tax year. To learn more about how your contribution amounts may be further limited, you should refer IRS Publication 969 or consult with your tax advisor.

Q: Who contributes to the HSA?
A: You may contribute up to the maximum mentioned above. JCPenney contributes to the HSA in your name when you are in the HSA 1500 plan option and establish an account. In 2014, JCPenney will contribute a fixed amount
equal to the annual contribution, determined each year by JCPenney, divided by the number of remaining pay periods in the plan year. For subsequent years, JCPenney will determine company contributions prior to Annual Enrollment.

Q: Can I make a “catch-up” contribution to my HSA if I turn age 55 or older in 2014?
A: Yes. You may make catch-up contribution to your account if you turn age 55 or older in 2014. You can contribute an additional $1,000. You can do this through payroll deduction or by sending your contribution directly to Bank of America and your election maximum will automatically be adjusted to include the additional contribution amount in the enrollment process in Powerline.

Q: Can I make a “catch-up” contribution to my HSA if my spouse turns age 55 or older in 2014?
A: No. Only the HSA account holder (the Associate), if age 55 or older, is eligible to make the catch up contributions. If your spouse has an HSA and otherwise satisfies the HSA eligibility requirements, he or she may make a catch-up contribution to his or her own account.

Q: May I contribute the IRS maximum annual contribution amount if I open my HSA at a time other than annual enrollment?
A: You are eligible to contribute the maximum annual contribution amount allowed by the IRS based on your coverage level (associate only or associate + spouse/child/family) on the first day of the last month of the tax year (December 1 for most tax payers), and:
- You are covered under a high-deductible health plan like the HSA 1500 or HSA 2000 plan options
- You are not enrolled in Medicare
- You are not on a military leave of absence and have coverage under TRICARE
- Neither you or your spouse contributes to a general purpose health care flexible spending account

You can make the maximum annual allowed contribution if you are enrolled in the HSA 1500 or HSA 2000 plan options on December 1 and remain so for 12 months. You will not be eligible to contribute the maximum annual contribution amount allowed by the IRS based on your coverage level (associate only or associate + spouse/child/family) if, on the first day of the last month of the tax year (December 1 for most tax payers), you:
- Are covered under a non-high-deductible health plan (such as enrolling in a general purpose health care flexible spending account)
- Are enrolled in Medicare
- Are on a military leave of absence and have coverage under TRICARE
- Have a spouse who elects to contribute to a general purpose health care flexible spending account
- No longer have coverage under a HSA-qualified health plan
Please note that if your coverage is effective on/after 12/1, you will not receive a contribution for the current year. If you elect the HSA 1500 or HSA 2000 plan options for the following year, your employer contributions will be made in the following year based on the coverage tier elected for that year.

Q: Is there a deadline for making annual maximum allowable contributions to my HSA?
A: Yes, you can make contributions to your HSA through your tax filing deadline (excluding extensions), which generally is the following April 15th.

Q: Will I receive HSA employer funding if I leave the company?
A: Employer funded contributions to a Health Savings Account are tied to your participation in the HSA 1500 plan option. As long as you are enrolled in this plan option, company contributions will continue to be funded on a monthly basis.

Using Money in Your HSA
Q: When can I access the funds in my HSA?
A: You can access the funds in your HSA as soon as they are in your account. Keep in mind that withdrawals will only receive favorable tax treatment if used to pay for qualified medical expenses that are incurred after your account is established and your HSA 1500 or HSA 2000 coverage becomes effective.

Q: What if I have a medical expense that is greater than the balance in my HSA?
A: If you do not have the funds in your HSA to cover the expense, you will pay out-of-pocket. Once sufficient funds are available in your HSA, you can request a withdrawal to reimburse yourself for that qualified out-of-pocket medical expense.

Q: How will I know the balance in my HSA?
A: The balance in your HSA will display on www.bankofamerica.com/benefitslogin. If you have questions about your HSA balance, contact the Bank of America Customer Care Center at 1-800-318-2854.

Q: Is there a minimum amount of money that I can take out of my HSA?
A: No, there is no minimum amount for withdrawals from your HSA at this time.

Q: What types of expenses can be paid from my HSA?
A: You can use HSA funds to pay for qualified medical expenses such as:
- Eligible out-of-pocket health care costs, including deductibles, your portion of co-insurance amounts, and co-payments – doesn’t include premiums
- Dental, vision, and prescription drug expenses not covered by the HSA 1500 and HSA 2000 plan options or other group health plan
- IRS-approved medical expenses not covered by the JCPenney group health plan, such as smoking-cessation programs
- COBRA premiums
• Long-term care insurance premiums, subject to certain limits described in IRS Publication 502
• Health coverage premiums while receiving unemployment compensation

Individuals age 65 and over can use HSA funds to pay for premiums for Medicare Part A, Part B and Part D. Premiums for Medigap policies are not considered to be qualified medical expenses. Refer to www.irs.gov/pub/irs-pdf/p502.pdf for a description of eligible expenses.

Q: What resources are available to help me determine whether an expense is a qualified medical expense?
A: A description and listing of common qualified expenses, as defined in Internal Revenue Code Section 213(d), may be found in IRS Publication 502, which is available at www.irs.gov/publications/p502.

Examples of expenses that are qualified health care expenses, as listed in Publication 502:
• Prescription drugs
• Insulin
• Physician office visits
• Physical therapy
• Birth control pills
• Chiropractic services
• Vision and dental care

Examples of expenses that are not qualified medical expenses, as listed in Publication 502:
• Surgery for purely cosmetic reasons
• Health club dues
• Illegal operations or treatment
• Maternity clothing
• Non-prescription over-the-counter medications
• Toothpaste, toiletries, cosmetics

Q: If a type of expense is not listed in IRS Publication 502, how can I determine whether it will be a qualified health care expense?
A: You can contact the Internal Revenue Service 1-800-829-1040.

Q: Can I take a withdrawal from my HSA to pay for a qualified medical expense that was incurred in a prior year?
A: Yes, you can take a withdrawal to pay or reimburse for expenses incurred in any prior year as long as the expense was incurred after you established your HSA.

Q: Is there a time limit for making withdrawals from my HSA?
A: No.
Q: Are there any fees charged to my HSA Account?
A: No monthly maintenance fees apply while you are enrolled in the HSA 1500 or HSA 2000 but some transactional fees may apply (e.g. stop payment or duplicate tax form processing fee). Please visit www.bankofamerica.com/benefitlogin and go to Schedule of Fees link on the left side of the page.

Q: Can I invest the funds in my HSA?
A: You can invest your HSA balance and the earnings growth is tax-free from federal taxes and most state taxes. Your funds automatically will be deposited in the cash account, an FDIC-insured Deposit Program. Once your account reaches $1,000, you can choose to invest in over 20 mutual funds.

Q: What is the difference between the Cash and Investment Accounts within my HSA?
A: The Cash Account is an interest-bearing, FDIC insured, checking account used to pay for qualified medical expenses. The HSA Investment Account allows you to invest in a broad range of mutual funds. The Investment Account is not FDIC insured, is not bank guaranteed, and may lose value.

Q: How can I grow my HSA balance?
A: The ability to grow your HSA balance will depend on a number of factors including:
- Whether you choose to withdraw funds from your HSA to pay for qualified medical expenses
- The amount of annual contributions made to your HSA by both you and the company
- The length of time your HSA funds are invested
- How you invest your HSA funds

Q: What are the reporting requirements associated with an HSA?
A: At the time you file your federal income tax return, you will need to complete IRS Form 8889 to report contributions to your HSA and any withdrawals from your account. Most tax software will generate this form automatically when you have an HSA contribution reported on your W-2.

Q: How do I pay health care providers with my HSA funds?
A: You may pay qualified medical expenses by either:
- Using your HSA debit card at time of service
- Making online payments using Bank of America Online Bill Payment for Health Savings Accounts

Q: How does HSA Online Bill Payment work?
A: Bank of America Online Bill Payment for Health Savings Accounts is a service available at no additional charge that provides an efficient, convenient way to
make online payments for qualified medical expenses. With just a few clicks, you can:

- Make payments to health care providers, companies, and individuals
- Manage and keep track of all bill payments
- Reimburse yourself for out-of-pocket qualified medical expenses
- Get online help for answers to your questions

**HSA Funding for New Associates**

**Q:** How does HSA funding work if my benefits are effective after December 1?

**A:** If your HSA 1500 or HSA 2000 plan option coverage is effective after December 1, neither you nor the company is allowed to contribute to the HSA in the current year. The employer funding will be paid in the next plan year once your account is opened (e.g. January 1 of the next year. Funding occurs after the 1st of the month following the effective date of coverage). The associate's coverage level, at the time of funding, determines the level of funding.