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ALSO IN THIS ISSUE –

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IRS Issues 2011 HSA Forms 5498-SA and 1099-SA and Instructions

The IRS recently released the 2011 versions of Forms 5498-SA and 1099-SA. There were some important changes.

The first change is the IRS furnishes guidance as to how the HSA custodian is to report when HSA funds are returned to a contributing employer pursuant to Notice 2008-59. This guidance is somewhat surprising. See the very brief summary of Notice 2008-59 as set forth below.

The IRS adopts the same approach it adopted with respect to "mistaken distributions." There is to be no reporting of either the contribution or the withdrawal. Under the "What's New" section, the following was added, "Excess employer contributions (and the earnings on them) withdrawn from employee HSAs by the employer should not be reported on Form 1099-SA or as a contribution on Form 5498-SA."

The excess employer contribution is not to be reported in Boxes 2 and/or 3 of the Form 5498-SA.

The return of the funds to the employer does not get reported on the Form 1099-SA as a distribution made to the employee. That is, such a distribution is nonreportable for Form 1099-SA purposes.

Prior to this IRS guidance, we at CWF had concluded that the HSA custodian would have had to report the excess employer contribution and would have

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IRS Revises Form 5305-E and Form 5305-EA – Why?

In October 2010 the IRS issued revised versions of its two model Coverdell Education Savings Account forms.

The change made was minor. The IRS added a "What's New" section just after the General Instructions. It reads as follows, *Military death gratuity. Families of soldiers who receive military death benefits may contribute subject to certain limitations, up to 100 percent of such benefits into an education savings account. Publication 970, Tax Benefits for Education, explains the rules for rolling over the military death gratuity and lists eligible family members.*

The IRS had previously issued revised forms in March of 2002. The 2002 changes were made because there were numerous law changes to CESAs made by the Economic Growth and Tax Relief Act of 2001. For example, the contribution limit for 2011 would be $500 per child rather than $2,000 per child. We discussed these law changes in the June 2010 issue of this newsletter, "What's the Future of CESAs?"

The CESA laws for 2011 will revert to the CESA laws in effect in 2001 unless Congress and President Obama can agree that the CESA tax law changes of EGTRA can either be extended or made permanent.

Although it is not yet a sure thing, it appears that there will be an extension of some sort of the EGTRA tax law changes.

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had to report the distributions. Since the distribution would not have been used to pay a qualified expense, we thought that the 10% additional tax would have been owed unless the employee was age 65 or older or disable.

The IRS does not discuss how such excess employer contributions and the withdrawals thereof are to be handled for 2010 reporting purposes. Should they be reported or not? We will be asking the IRS to give additional guidance on this subject. Until the IRS says they don't need to be reported, we recommend that they be reported.

The second change was to move the following sentence from the discussion for box 2 (Earnings on Excess Contributions) to the discussion for box 1 (Gross Distribution) on the Form 1099-SA. "Do not report excess MA MSA contributions returned to the Secretary of Health and Human Services or his or her representative." It appears this sentence never should have been included in the discussion for box 2.

The third change – the pilot program for truncating an individual's social security number on payee statements has been ended. That is, it may be used for 2010 reporting purposes, but it may not be used for 2011 reporting purposes.

Brief Summary of Notice 2008-58.

An employer is allowed to recoup "excess" HSA contributions in the following two situations.

Situation #1 – an individual was never an eligible individual for HSA purposes, but for some reason, the employer made the mistake of thinking this person was eligible and made HSA contributions for him or her. If certain rules and conditions are met, the employer is entitled to have such HSA contributions returned to the employer.

Situation #2 – an employer contributes to an employee's HSA an amount which exceeds the maximum annual contribution allowed in section 223(b) as based on single or family HDHP coverage, as adjusted for any catch-up contribution, if applicable. If certain rules and conditions are met, the employer is entitled to have such HSA contributions returned.

Form 5305-E and Form 5305-EA,
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We are presuming it will include the CESA changes. Obviously, major changes in the CESA forms will be required if the tax legislation is not adopted. The IRS has issued no guidance on this topic. That is, the IRS has not indicated when it would be rewriting its Forms 5305-E and 5305-EA if there is no tax bill extending the 2001 CESA law changes.

We will keep you informed. ◆

Alternate RMD Rule Applies to Inherited IRAs

John Doe opened his first traditional IRA in 1975. John Doe died on September 30, 2010 at the age of 81. At the time of his death he had four traditional IRAs at four different financial institutions as follows:

	Balance As of 12/31/09	RMD Divisor	RMD For 2010
IRA custodian #1	$6,265	17.9	$ 350
IRA custodian #2	$28,640	17.9	$1,600
IRA custodian #3	$39,380	17.9	$2,200
IRA custodian #4	$75,180	17.9	$4,200
Totals	**$149,465**	**17.9**	**$8,350**

John Doe had designated his three children as the beneficiaries of these four IRAs, each was to receive a 1/3 share.

Each will need to be paid his or her 1/3 share of the RMD amount of $8,350 or $2,783.00 by December 31, 2010.

Right or wrong, IRA custodian #1 simply sent three checks to the three children beneficiaries. Each received a check in the amount of $2,088.33. They are not allowed to roll over these distributions as non-spouse beneficiaries have no rollover rights.

An inheriting IRA beneficiary, however, is eligible to use the alternate RMD rules just as may a person who is age 70½ or older. Consequently, IRA Custodian #1's error can be negated since the three beneficiaries will instruct IRA custodians #2-#4 that he or she will not be required to take the entire RMD which they calculated since the distribution they took from IRA #1 can be used to satisfy their RMD requirements. ◆

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When a Person is Opening a New CD – Ask if the CD is to be an IRA CD or a Non-IRA CD!

The IRS is following up on tax filing discrepancies for tax year 2008. A common reason for the IRS to follow-up is when a person closes an IRA with one financial institution and then fails to include this distribution in his or her 2008 income.

More financial institutions have been calling CWF with the situation where the financial institution opened for a customer a non-IRA CD in 2008, but the customer really wanted an IRA CD. Sometimes the error is caused by the customer not informing the financial institution that he or she wanted or needed to have the CD be an IRA CD. Other times it is the financial institution's mistake. The customer instructs that he or she wants an IRA CD, but the CSR mistakenly sets up a non-IRA CD.

We will assume for this article that it is the financial institution's mistake. For example, Jane Doe, age 62, took a distribution of $18,600 from her IRA at IRA custodian #1 on September 22, 2008. She deposited these funds into her checking account. She went to IRA custodian #2 on November 9, 2008 and instructed the purchase of an IRA CD. The CSR was new and she mistakenly established a non-IRA CD in the amount of $18,600.

The IRS has recently contacted Jane Doe since she did not include the $18,600 in her income for her 2008 federal tax return as she thought she had rolled it over. The IRS wants her to pay $2,790 since it would be taxed at the 15% marginal income tax rate.

She was paid interest income of $186 for 2008 and $560 for 2009.

Is it permissible for the IRA custodian to correct the error made by its CSR by moving the funds from a non-IRA CD to an IRA CD since she did have an IRA agreement with the IRA custodian and correct its IRS reporting forms? The 2008 Form 5498 would be corrected to show the rollover contribution of $18,600. The 2008 and 2009 Form 1009-int would be changed to show that no interest was earned by the non-IRA CD.

No. The IRS rules do not allow the IRA custodian to unilaterally correct it's mistake. The fact is, the $18,600 was not rolled over into an IRA within 60-days. The automatic waiver rollover rules do not apply because the proposed correction is occurring after one year from the date of the distribution.

The IRS has the authority to waive the sixty day requirement if equity would require it. If the error was primarily due to the financial institution, then one would expect the IRS would grant relief to her. The IRS would furnish her a letter giving her 60-days from the letter's date to complete the rollover of $18,600. She is not allowed to rollover $18,600 plus the interest paid with respect to the non-IRA CD.

The individual will need to make a special letter request to the IRS. The IRS currently has a filing fee of $500 for rollover amount less than $50,000. Presumably, the financial institution will agree to pay this $500 because it made the error.

We would suggest that a financial institution have its new accounts personnel double check to make sure that the CD being set up for the person is the type he or she needs and wants – either an IRA CD or a regular CD. ◆

Don't Make Rollovers, Direct Rollovers and IRA Transfers More Complicated Than Needed

The purpose of this article is to suggest the administrative approaches an IRA administrator and other IRA personnel may want to use when handling IRA transfers, rollovers and direct rollovers.

IRA Transfers.

Determination #1. Make the determination that the transfer form being used contains the required provisions. If in doubt, require the use of "your" transfer form when able to do so. Remember, that transfers are almost always at the discretion of the IRA custodian holding the IRA. This IRA custodian has the right to require the use of its transfer form. There is no rule or law which requires the IRA custodian which will be sent the IRA funds to prepare the transfer form or which requires the use of that IRA custodian's transfer form.

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Don't Make,
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An IRA transfer form must set forth certifications by the two IRA custodians that a valid IRA exists at each financial institution and that the funds will be transferred between the two institutions. Normally, the form contains a section where the IRA accountholder executes the form acknowledging that he or she has requested this transfer.

Determination #2. The transfer form must also clearly set forth the type of transfer being authorized.

The following transfers are "non-reportable" transfers under IRS reporting rules.

Traditional IRA to Traditional IRA.

Roth IRA to Roth IRA.

SEP IRA to Traditional IRA.

SIMPLE IRA to Traditional IRA (after 2 years).

The following transfers are "reportable" transfers under IRS reporting rules.

Traditional IRA to a Roth IRA (i.e. a conversion).

Traditional IRA to HSA.

Traditional IRA to a 401(k). *

Roth IRA to a traditional IRA. Must be a recharacterization of a conversion or annual Roth IRA contribution.

A Form 1099-R will need to be prepared to report the above movement of funds.

*This movement is technically not a transfer, but it also is not a direct rollover. IRS instructions require the use of Code G in box 7 of the Form 1099-R.

In the above transfer situations, the payee on the check will be the receiving IRA custodian or the trustee of the 401(k) plan.

IRA Rollovers.

IRA rollovers is the term used to describe when a person makes a rollover contribution into one of the four types of IRAs (traditional, SEP, SIMPLE and Roth). The individual is normally issued a check from an IRA or from an employer sponsored retirement plan.

The IRA plan agreement authorizes a person to make a rollover contribution (and for the IRA custodian to accept a rollover contribution) only if certain rules are met.

What IRA personnel will need to do depends upon understanding the type of plan which made the distribution to the individual.

Traditional IRA to Individual to Traditional IRA.

The IRA custodian will want the individual to complete and sign a rollover certification form. The individual will certify that the distributing IRA meets the requirements of Code section 408(a) or 408(b), that he or she has met the once per year rule, the 60-day rule and that he or she is not rolling over any required distribution.

Roth IRA to Individual to Roth IRA.

The Roth IRA custodian will want the individual to complete and sign a rollover certification form for a Roth IRA. The individual will certify that the distributing Roth IRA meets the requirements of Code section 408A or 408(b), that he or she has met the once-per-year rule and the 60-day rule.

Traditional IRA to Individual to Roth IRA.

You know this contribution as a Roth IRA conversion contribution.

The Roth IRA custodian will want the individual to complete and sign a conversion certification form. The individual will certify that the distributing IRA meets the requirements of Code section 408(a) or 408(b), that he or she has met the 60-day rule and that he or she is not rolling over any required distribution. The once per year rule does not apply to conversions.

Nondesignated Roth Funds within a 401(a) plan or a similar plan to the Individual to the Traditional IRA.

The plan administrator will have furnished the individual with a distribution form informing him or her whether or not any portion of the distribution is eligible to be rolled over. The individual completes this form to instruct whether he or she wants to do a direct rollover, take a distribution or do a combination of those two options. The IRA custodian should ask the individual to furnish it a copy of this distribution form.

The IRA custodian will still want the individual to complete and sign a rollover certification form. The individual will certify that the distributing plan made an eligible rollover distribution, the 60-day rule has been met and that he or she is not rolling over any required distribution.

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Nondesignated Roth Funds within a 401(a) plan or a similar plan to the Individual to a Roth IRA.

This rollover results in a conversion contribution, but it is reported as a rollover in box 2 of Form 5498.

The plan administrator will have furnished the individual with a distribution form informing him or her whether or not any portion of the distribution is eligible to be rolled over. The individual completes this form to instruct whether he or she wants to do a direct rollover, take a distribution or do a combination of those two options. The Roth IRA custodian should ask the individual to furnish it a copy of this distribution form.

The IRA custodian will still want the individual to complete and sign a conversion certification form. The individual will certify that the distributing plan made an eligible rollover distribution, the 60-day rule has been met and that he or she is not rolling over any required distribution.

Roth Funds within a 401(k) plan or a similar plan to the Individual to a Roth IRA.

The plan administrator will have furnished the individual with a distribution form informing him or her whether or not any portion of the distribution is eligible to be rolled over. The individual completes this form to instruct whether he or she wants to do a direct rollover, take a distribution or do a combination of those two options. The IRA custodian should ask the individual to furnish it a copy of this distribution form.

The Roth IRA custodian will still want the individual to complete and sign a certification form for a Roth IRA rollover. The individual will certify that the distributing plan made an eligible rollover distribution, the 60-day rule has been met and that he or she is not rolling over any required distribution.

Direct Rollovers to IRAs.

Direct rollover contributions into an IRA only happen with respect to certain distributions from an employer sponsored plan. The plan sends the check directly to the IRA custodian or the plan may furnish the check to the individual who furnishes it to the IRA custodian.

Nondesignated Roth Funds within 401(a) plan or a similar plan to the individual's Traditional IRA.

The plan administrator will have furnished the individual with the distribution form. As in the rollover situation, the IRA custodian should ask the individual to furnish a copy of this distribution form.

In this situation, the IRA custodian will not need the individual to complete and sign a rollover certification form.

Nondesignated Roth Funds within a 401(a) plan or a similar plan to the Individual's Roth IRA.

This rollover results in a conversion contribution, but it is reported as a rollover in box 2 of Form 5498.

The plan administrator will have furnished the individual with the distribution form. As in the rollover situation, the IRA custodian should ask the individual to furnish it a copy of this distribution form.

In this situation, the IRA custodian will not need the individual to complete and sign a rollover certification form.

Roth Funds within a 401(k) plan or a similar plan to the Individual's Roth IRA.

The plan administrator will have furnished the individual with the distribution form. As in the rollover situation, the IRA custodian should ask the individual to furnish it a copy of this distribution form.

In this situation, the IRA custodian will not need the individual to complete and sign a rollover certification form for rolling over 401(k) Roth funds into his or her Roth IRA. ◆

Correcting an Incorrect "Direct Rollover" From an IRA to a 401(k) Plan

You and your IRA personnel are very busy. Your jobs will normally entail doing many banking transactions, not just IRA transactions. Mistakes will sometimes occur. Every financial institution wants the skill (i.e. the internal procedures) to spot its mistakes and then correct them as soon a possible.

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Correcting,
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Recently an IRA custodian called us about the following mistake. It is certainly not a large mistake and as will be seen, can be corrected relatively quickly and easily.

The Mistake. John Doe, age 72, had a traditional IRA at the bank. His IRA CD matured with a value of $18,545.85. The bank had received a request from Mr. Doe's new employer on October 23, 2010 to send $18,545.85 via a check to their 401(k) plan. The bank mailed the check on October 25, 2010.

On November 2, 2010 an RMD report was prepared showing those IRA accountholders who still needed to be paid their RMD for 2010. Mr. Doe's name was on this report. The bank had forgotten that Mr. Doe had not yet taken his RMD. The bank's IRA personnel is well aware that he is ineligible to roll over the $750 RMD.

What must the bank do? It must notify John Doe and the 401(k) plan of the error.

IRS rules require an IRA custodian to notify the involved parties once a reporting error has occurred. The error must be corrected as soon as possible.

The 401(k) plan can accept as a rollover only those amounts which qualify as a rollover. The $750 does not. The plan administrator must act to remove the $750 from the 401(k) plan. It will need to be returned to John Doe. If this $750 was credited with any earnings, such amount would also have to be distributed. We will assume there were no earnings.

The bank will need to inform John Doe that it will be furnishing him with two 2010 Form 1099-R's. One will reflect the amount eligible to be directly rolled over (reason code G) and the other will be for his RMD. The RMD amount will be reported as a regular (reason code 7) distribution. He then will need to properly report these transactions on his federal income tax return. The net result is – he will need to include the $750 in his taxable income and pay the appropriate tax.

Miscellaneous Questions

Question #1: Is it still the situation, that there has been no change with respect to qualified charitable distributions?

Answer #1: Yes, at least as of November 2010. Unless a new tax law is passed during the lame duck session of Congress, the charitable distribution rules will not apply for 2010. We at CWF believe the passage of such a law is still possible even though this law will result in fewer tax dollars being collected.

Question #2: We have an employer wishing to make a "correcting" SAR-SEP contribution for an employee if the amount of $10,621.67. Can we accept it? If so, how do we report it for Form 5498 purposes?

Answer #2: You can accept it. You will report it as any other SEP-IRA contribution. Since you received the contribution during 2010, then you will report the $10,621.67 in box 8 of the 2010 Form 5498.

An IRA custodian is authorized to accept only those contributions authorized by Article I of the Form 5305 or Form 5305-A. These are the IRS model IRA plan agreements. One of the authorized contributions is an employer contribution to a SEP as described in section 408(k). This would include a SAR-SEP.

The IRS has issued no written guidance whether an IRA custodian has the duty to determine if an employer has a qualifying SEP plan. The IRA custodian,can adopt the position that it has the right to rely on an employer's statement that it has a SEP or SAR-SEP plan. Being conservative, we at CWF normally suggest to an IRA custodian that it have the employer furnish it with a copy of the Form 5305-SEP or Form 5305A-SEP which it has completed and furnished to the eligible employees. But CWF does not believe the IRS requires the IRA custodian to be furnished this form.

Question #3: I have a customer who has a personal Traditional IRA and is a beneficiary to a Traditional IRA. Her question is "Can she take the total required amounts for 2010 from her personal IRA or does she have to take a separate amount from the one she is the beneficiary of?"

Answer #3: She will need to take an RMD distribution from each IRA as her personal IRA and her inherited IRA are not considered to be like-kind under the alternate IRA RMD rule.

Question #4: We have a few customers that turned 70½ during 2009 that did not have to take their first distribution. If the RMD had not been waived they would have had until April 1, 2010 for the first one. Due to the special waiver for 2009 they are taking the first RMD this

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year. Do they have until April 1, 2011 or do they lose this benefit and need to take the distribution for 2010 by December 31, 2010? I have reviewed the Procedures Manual, and based on that I am assuming they have just until December 31.

Answer# 4: You are correct. RMDs were waived for 2009, but the standard RMD rules did not change. This means your IRA accountholder who attained age 70½ in 2009 is required to take his or her RMD for 2010 by December 31, 2010. This is the same deadline which would have applied had there been no waiver of RMDs for 2009.

Question #5: There is again a married couple. One spouse is age 53 and the other is age 68. The one who is age 68 is enrolled in Medicare. The one who is 53 has an HSA and is currently making contributions to it. The spouse who is 68 does not have an HSA.

Is it permissible for the HSA of the younger spouse to use her HSA to pay medical expenses of the 68 year old spouse?

Answer #5: Yes. An HSA owner (i.e the spouse who is age 53) may take distributions from his or her HSA and use such funds to pay his or her own medical expenses or those of his or her spouse, regardless of age. The HSA owner may appoint their 68 year old spouse as his or her power of attorney. In such case, the 68 year old spouse could take a distribution and use the funds to pay one of his or her medical expenses not covered by Medicare. ◆

Direct Rollovers From 401(k) Plans to Roth IRAs – IRS Guidance Sought

We recently sent the IRS the following email. We are awaiting their response. We will inform you once we hear from the IRS.

I understand the IRS will be issuing additional guidance to that set forth in Notice 2009-68. The IRS had furnished guidance on the section 402(f) notice requirement.

Notice 2009-68 does not address the situation/question I have. It may well be that the IRS will address my question/situation when it furnishes its additional guidance on the section 402(f) notice requirement.

If so, you may inform me of this and I will wait for the upcoming guidance. However, I am still taking the opportunity to submit my question or situation. Any guidance you will furnish will be appreciated.

Situation/Question: Jane Doe is a participant in a 401(k) plan. The predecessor plan to this 401(k) plan was a thrift savings plan. Her vested account balance is $86,000 of which $16,000 arose from her nondeductible employee contributions (i.e. her basis). She, of course, would like to move (i.e. rollover or direct rollover) just the $16,000 into a Roth IRA and the $70,000 into a traditional IRA. That is, she wants to avoid using the pro rata rule of Code section 72, if possible.

Code section 402(c)(2) defines the maximum amount which may be rolled over. The general rule is that after-tax amounts are ineligible to be rolled over. However, this rule does not apply if the receiving plan provides for "separate accounting" or if the receiving plan is an IRA described in section 408(a) or section 408(b).

The last sentence of Code section 402(c) provides, "In the case of a transfer described in subparagraph (A) or (B), the amount transferred shall be treated as consisting first of such distribution that is includible in gross income (determined without regard to paragraph (1))."

I understand that this special provision was added to allow a person with basis in a plan to not rollover this basis to an IRA. This allowed the person not to have to use the pro rata rule when taking future distributions from his or her traditional IRAs.

Now assume Jane Doe elects to be paid in cash her vested account balance of $86,000. That is, she elects not to do a direct rollover. Consequently, the plan administrator withholds 20% of the taxable portion of the distribution or $14,000 ($70,000 x 20%) and gives her a check for $72,000 ($16,000 + $56,000). She received this check on October 18, 2010. She deposits this check into her checking account on October 20, 2010. This deposit increases her checking account balance to be $95,000. On October 22, she makes a roll over contribution into her traditional IRA of $70,000. On October 26, she rolls over the amount of $16,000 into her Roth IRA.

Does the last sentence of Code section 402(c) provide the authority so that:

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1. the $70,000 being rolled into the traditional IRA is fully taxable when distributed since the taxable amount was transferred first; and

2. the $16,000 being rolled into her Roth IRA is 100% basis since it was transferred second.

Any guidance you furnish will be appreciated. If the IRS position is, notwithstanding the last sentence of Code section 402(c), the pro rata rule of Code section 72 still must be applied. Please inform me of this fact and the IRS' rationale.

Thank you for your assistance. ◆

Designating a Funeral Home as the IRA Beneficiary

Set forth below is CWF's response to a question whether or not person could and should designate a funeral home as the beneficiary of his or her IRA.

You called the other day with an interesting, but difficult question. Is it permissible for an IRA accountholder to designate a funeral home as the beneficiary of her IRA?

This question is not asked very frequently. There certainly are IRA accountholders who designate their estate as their IRA beneficiary with the intent that the estate will use the IRA proceeds to pay the funeral expenses.

I am unaware of an express federal statute stating an IRA accountholder cannot designate an unrelated third party, including a funeral home, as the beneficiary of her IRA.

I understand the question is being asked because the social security administration has informed her that she may wish to take this action, because otherwise, the social security administration will be required to "count" this IRA for purposes of some asset test required under the law. In many asset test situations a person is required to use or spend-down certain funds before qualifying for a certain governmental program. In this case, it appears she is being informed that she need not technically spend-down the IRA funds, that she may designate a funeral home as the beneficiary of her IRA. By doing so, she will be able to retain her IRA.

She must act on the advice of her own tax advisor, whether it be her attorney or her tax accountant. From the perspective of the bank, I believe the bank may adopt the position that she is able to designate a funeral home as the designated beneficiary of her IRA as long as she retains the right to change her beneficiary designation.

If she would in a legal fashion bind the IRA (or herself) so that the funeral home must be the designated beneficiary, then I believe various tax issues would arise. There would be a deemed distribution from the IRA under the prohibited transaction rules of Code Section 4975 as she would have realized a current and immediate benefit.

The bank will want to decide, after discussing this matter with your attorney, whether the bank would seek a hold harmless agreement from her. That is, she would hold the bank harmless should the IRS or another regulator conclude that a taxable event has occurred. She would also agree that any taxes arising from this situation would be paid by the IRA if not otherwise paid. ◆

An HSA's Payment of Long-Term Care Premiums May Qualify for Tax-Free Treatment

The premiums for long-term care coverage that a person can treat as qualified medical expenses are subject to limits based on age and are adjusted annually.

See the chart below as found in Rev. Proc 2010-40. ◆

IF the person was, at the end of 2009, age…	THEN the most you can deduct is… 2009	2010	2011
40 or under	$320	$330	$340
41-50	$600	$620	$640
51-60	$1,190	$1,230	$1,270
61-70	$3,180	$3,290	$3,390
71 or older	$3,980	$4,110	$4,240

Notice of Correction

On Page 5 of the October Newsletter the last paragraph in the left column should have read as follows.

The tax rules limit the amount which may be contributed to a person's HSA. The 2010 and 2011 contribution limit is $3,050 if a person who is under age 55 has self-only coverage under a HDHP and $4,050 if he or she is age 55 or older. The 2010 and 2011 contribution limit is $6,150 if a person who is under age 55 has family coverage under a HDHP and $7,150 if he or she is age 55 or older.