

MEDICAL SAVINGS ACCOUNT

Annual Reporting Information

For Self-Administered Individual Accounts

MONTANA
MSA
Rev. 8-97

Instructions on back

Taxpayer Information

Name _____ Social Security Number _____

Account Information

Account Number _____

Financial Institution where account is located _____

Address of Financial Institution _____

Complete the table below for the current year. Additional information regarding medical savings account is provided on the back of this form. If you made withdrawals from your medical savings account that were not used to pay qualifying medical expenses, you must complete Form MSA-P. To order this form call 1-406-444-0290.

	A	B	C	D	
Date	Deposits	Interest Earned	Withdrawals Used for Eligible Medical Expenses	Withdrawals Used for Noneligible Medical Expenses	Balance Columns A+B Less Columns C+D
Enter balance of MSA account as of 12-31-97					
Totals					

Your allowable MSA reduction is the total of column A or \$3,000 whichever is less, plus the total of column B. **Attach this form to your Montana income tax return.**

MONTANA MEDICAL CARE SAVINGS ACCOUNT

The Montana Medical Care Savings Account Act of 1995 was amended by the 1997 legislative session. Montana resident taxpayers are allowed a reduction to arrive at Montana adjusted gross income for funds contributed to an account used specifically for eligible medical expenses.

A taxpayer may contribute any amount to a medical savings account (MSA). The maximum tax reduction is \$3,000 per taxpayer per tax year. Jointly held accounts do not qualify as an MSA, although each spouse, regardless of income tax filing status, may maintain a separate MSA.

Any amount of monies used in the reduction of income in one year cannot be deducted again in a future year.

Self-Administered Account Holders

The new law also allows taxpayers to self-administer MSA's. A self-administered individual MSA may be established with a financial or other institution. The self-administered account holder is not required to register with the department. A self-administered MSA must be kept separate from all other accounts and be maintained specifically to pay eligible medical expenses for the individual account holder and any dependents not presently covered under another MSA.

Self-administered account holders must file an annual report (Form MSA) with their individual income tax return.

Eligible Medical Expenses

Eligible medical expenses are defined under Internal Revenue Code Section 13(d), and are the same expenses which, if not paid with MSA funds, would be allowed as an itemized deduction for Montana income tax purposes. Within certain limitations the contributions to an MSA will be tax free as long as the account is used to pay eligible medical expenses. The maximum reduction per year allowed per taxpayer for Montana tax purposes is \$3,000 plus any interest the account accumulates. Withdrawals made for anything other than eligible medical expenses are subject to a 10% penalty. These penalties cannot be deducted from income. Noneligible withdrawals made on the last weekday of December are not subject to the penalty.

Any noneligible withdrawals are taxed as ordinary income if previously deducted. Eligible medical expenses reduced under the MSA cannot be deducted elsewhere on the income tax form.

Documentation Requirements

The account holder in all circumstances is required to maintain documentation to verify eligible medical expenses. The self-administered account holder must also maintain documentation of contribution and withdrawal amounts and dates, interest earned on the account, the year end balance and any penalties for ineligible withdrawals. Self administered account holders must also keep copies of the financial or other institution's statements of account.

If you have questions or need additional information regarding the Montana Medical Savings Account, please call 1-406-444-3674 or 1-406-444-2830 for hearing impaired.