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**CORRECTED NEWS RELEASE**

**For Immediate Release**

**August 26, 2020**

**Consider a Tax-Advantaged Savings Account**

**Boise, Idaho . . .** A change in legislation effective July 1, 2020 has expanded authority for all Idaho State Chartered Banks and Credit Unions to offer tax-advantaged savings plans. This expansion provides Idahoans greater accessibility to tangible tools to save for retirement costs, healthcare expenses, education and childcare expenses, and even first time home-buyer costs.

**What exactly is a tax-advantaged savings plan?**

A tax-advantaged savings plan is an account that allows you to save for qualified expenses while reducing your tax obligation. These accounts come with a unique triple tax benefits: You can contribute to them on a pretax or tax-deductible basis, and your savings grow free of taxes over time. You can also make tax-free withdrawals to cover qualified expenses. Types of tax-advantaged savings accounts include, but are not limited to the following;

**Idaho First Time Home Buyer Savings:** New for 2020, first time homebuyers can establish this tax-advantaged savings account, and deduct contributions and interest earned, up to \$15,000 for individuals or \$30,000 for couples filing jointly. Withdrawals from the account balance are not taxable when the money is used towards qualified expenses such as down payments or other costs related to purchasing the home. This deduction is specific to Idaho income tax, and account owners cannot have previously owned a home.

**Coverdell Education Savings Accounts (ESA):** This is a trust or custodial account designed solely for paying qualified education expenses for a designated beneficiary account. This benefit applies not only to qualified higher education expenses, but also to qualified elementary and secondary education expenses. Coverdell plans offer tax deferred growth and tax-free withdrawals, provided funds are used for qualifying educations expenses. There's no limit to the number of accounts that can be established for a particular beneficiary; however, the total contribution to all accounts on behalf of a beneficiary in any year cannot exceed \$2,000.

**Medical Savings Accounts (MSA):** Contributions to an MSA account can be applied towards medical expenses while earning interest. Similarly, a **Health Savings Accounts (HSA)** is another savings account also used for medical expenses, however for this account, the owner typically has a

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high-deductible health insurance plan. Contributions to both MSA's and HSA's can be used to pay qualified medical expenses today, or you can let the money grow and use it in future years. Contributions to an MSA may be eligible for a State of Idaho tax deduction subject to contribution limits. Contributions to an HSA may be eligible for federal tax deductions subject to contribution limits. A **Flexible Spending Account (FSA)** works similarly to an HSA. Depending on the entity offering the account, an FSA can be set up for a variety of purposes. A Dependent Care FSA for example, is an excellent option for families wanting to save for and pay for childcare.

### Retirement options available

**401K:** For many people, a 401K seems to be the easiest option. This account must be set up by an employer and allows eligible employees of a company to save and invest for their own retirement on a tax-deferred, also known as pre-tax, basis.

**Traditional IRA:** A traditional IRA offers tax-deferred earnings and the possibility for tax-deductible contributions. This is the most common IRA. Contributions to a Traditional IRA are pre-tax, making it similar to a 401K in that regard. Once you start withdrawing from your Traditional IRA, taxes would then be paid on the distributions. Anyone, regardless of income, can contribute to a traditional IRA.

**SEP IRA:** SEP stands for Simplified Employee Pension, and is a form of Traditional IRA. A SEP plan provides business owners with a simplified method to contribute towards their employee's retirement as well as their own. A self-employed person can make SEP contributions to his or her own IRA. SEP IRA may be a great fit for those that are self-employed or own a small business and want to save for retirement.

### IMPORTANT REMINDER

Contributions to tax-advantaged accounts now, can provide flexibility later. **Each product outlined above has its own independent guidelines and limitations such as contribution limits, timing of withdrawals and subsequent penalties, participation eligibility, etc.** The information above should not be considered tax advice. For further detail related to tax-advantaged savings plans consider seeking advice from a financial planner or tax attorney.

To review a list of Idaho State Chartered Banks and Credit Unions, visit the Idaho Department of Finance website at <https://www.finance.idaho.gov/>. Highlighted detail contained in this release reflects a redaction to the Departments original release issued August 24, 2020.

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*Department of Finance Press Releases and other information can be found on the Internet at <http://finance.idaho.gov> and may be obtained by contacting the department at (208) 332-8000 or Idaho toll-free at 1-888-346-3378.*