



FROM A RECENT CASE (DETAILS CHANGED)

A veteran rated 100% permanent and total made his wife eligible for CHAMPVA. She kept funding the HSA at her job and enrolled two years later. CHAMPVA paid her old medical bills back to the day she first became eligible — and every HSA dollar she had put in since that day became an excess contribution: two amended returns, a 6% excise tax for every year it stayed in, and a taxable withdrawal to fix it. Being **eligible** for CHAMPVA does nothing to an HSA. Being **covered** by it does, and the coverage reaches back.

The 2026 limits

\$4,400

HSA, self-only
+\$1,000 at 55+,
either plan

\$8,750

HSA, family
Spouses share
one limit

\$3,400

Health care FSA
Up to \$680
carries over

\$7,500

Dependent care
FSA
Per household

ACTIVE DUTY No HSA on TRICARE, but active-duty and AGR members can use both FSAs through FSAFEDS ([Guide 11](#)). An HSA needs a high-deductible health plan and nothing else: it is tested on the first day of every month, so one month of other coverage costs that month's share of the limit.

EMPLOYER MONEY COUNTS

\$1,500

You can still add \$7,250

Employer contribution (illustration) against the 2026 family limit of \$8,750. It counts toward your limit, not on top of it. Check box 12, code W on your W-2.

Over the limit?

6%

a year

Excess HSA contributions are not deductible and are taxed 6% for every year they stay in the account (Form 5329). Take out the excess **and its earnings** by your filing deadline, including extensions, and you avoid the 6%; the earnings are taxable. Pull it out after the deadline and the withdrawal is taxable even if you spend it on medical care.

An excess that spans two tax years means two amended returns. Catch it early: the first month of other coverage is the month to stop the payroll deduction.

Can you still fund an HSA?

IF YOU HAVE

WHAT IT MEANS FOR YOUR HSA

 Spouse's general FSA	Blocks you for its plan year if it covers your expenses, as most do
 Limited-purpose FSA	Works. Limited to dental, vision and preventive care
 Dependent care FSA	Works. It pays for child care, not medical care
 TRICARE, any plan	Blocks you, even with a civilian high-deductible plan
 CHAMPVA	Blocks the spouse or child it covers, used or not — from the date coverage begins, which is retroactive (right)
 VA health care	Blocks 3 months after you use it, unless you have a service-connected disability rating or the care was preventive, dental or vision (IRS Notices 2004-50, 2008-59)
 Medicare, any part	Blocks you. Enrolling after 65? Part A can backdate up to 6 months, so stop contributing 6 months before you apply

The CHAMPVA interlock

Who it touches. The spouse and children of a veteran rated permanently and totally disabled from service, or who died of a service-connected condition, when they are not TRICARE-eligible — typically the family of a veteran who separated without retiring ([Guide 18](#)).

1 Coverage reaches back.

CHAMPVA eligibility begins on the effective date of the permanent-and-total rating (or the death). Enroll later and CHAMPVA still covers care from that first date; you have 180 days from the approval notice to file the old claims (38 C.F.R. §17.276).

2 So does the HSA block.

HSA eligibility is tested month by month. Backdated coverage makes those months disqualified months, and every contribution in them an excess — the same result the IRS spells out for retroactive Medicare.

3 Planning to enroll? Stop the HSA first.

End contributions before the application goes in, and weigh the old claims you would recover against the cost of unwinding the HSA.

4 Already enrolled?

Excess still inside the filing deadline, with extensions, can come out with its earnings and avoid the 6%. HSA money you spent on bills CHAMPVA later reimbursed is no longer a qualified withdrawal; ask the custodian about repaying it as a mistaken distribution (Notice 2004-50, Q&A-37).

Our reading. The IRS states the retroactive rule only for Medicare and never names CHAMPVA, which is simply a non-high-deductible health plan. Applying the monthly test to backdated CHAMPVA months is our interpretation; take it to your tax preparer before you rely on it.