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## IRS and ACA Have Different Definitions of Dependent Child

According to the Affordable Care Act (ACA) definition, a dependent child is under age 26. This means that parents can add their adult children age 26 and under to their health plans - even if said adult child is married and/or living at another residence in another state. The County Health Pool terminates a child dependent's insurance benefits at the end of the 26th birthday month.

The IRS, on the other hand, has a different definition of dependent child with respect to health savings accounts (HSAs). According to the IRS definition, a dependent is a qualifying child (daughter, son, stepchild, sibling or stepsibling, or any descendant of these) who:

- Has the same principal place of abode as the covered employee for more than one-half of the taxable year.
- Has not provided more than one-half of his or her own support during the taxable year.
- Is not yet 19 (or, if a student, not yet 24) at the end of the tax year, or is permanently and totally disabled.

If an HSA account holder is not able to claim a child as a dependent on a tax return, the IRS says the account holder cannot use HSA funds to cover qualified medical expenses for that dependent. This means that a 24-year-old child might be covered under a parent's group health plan but the parent covering the child is not able to use their HSA for

the child's medical expenses. Sans access to the parent's HSA, the child has the option of becoming an account holder of his or her own HSA.

### What This Means for Counties

The ACA's definition of a child dependent is under age 26. The IRS definition of child dependent is more complex with several requirements that must be satisfied. If an adult child does not meet the IRS definition of dependent, the child cannot use the parent-employee's HSA for qualified medical expenses. The County Health Pool will provide ongoing updates regarding the definition of child dependents under the ACA and IRS.

For more information, contact CTSI at 303-861-0507.