

Reporting of Earnings on Excess Contributions to Medical Savings Accounts (MSAs)

Announcement 99-93

The 1998 Instructions for Form 8853, Medical Savings Accounts and Long-

Term Care Insurance Contracts, and Form 5329, Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs, contain an error. The instructions for Form 8853, line 7, and Form 5329, Part VI, state that the income earned on certain excess contributions withdrawn from an MSA must be included in gross income for the year in which the MSA participant or the employer made the contribution. Instead, the earnings must be included in gross income for the year in which the earnings and the excess contributions are withdrawn.