

106TH CONGRESS  
1ST SESSION

# S. 1350

To amend the Internal Revenue Code of 1986 to expand the availability of medical savings accounts.

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IN THE SENATE OF THE UNITED STATES

JULY 12, 1999

Mr. GRASSLEY (for himself and Mr. TORRICELLI) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to expand the availability of medical savings accounts.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Medical Savings Ac-  
5       count Improvement Act of 1999”.

6       **SEC. 2. EXPANSION OF AVAILABILITY OF MEDICAL SAV-**  
7       **INGS ACCOUNTS.**

8       (a) REPEAL OF LIMITATIONS ON NUMBER OF MED-  
9       ICAL SAVINGS ACCOUNTS.—

1           (1) IN GENERAL.—Subsections (i) and (j) of  
 2           section 220 of the Internal Revenue Code of 1986  
 3           are hereby repealed.

4           (2) CONFORMING AMENDMENTS.—

5                 (A) Paragraph (1) of section 220(c) of  
 6           such Code is amended by striking subparagraph  
 7           (D).

8                 (B) Section 138 of such Code (relating to  
 9           Medicare+Choice MSA) is amended by striking  
 10          subsection (f).

11          (b) AVAILABILITY NOT LIMITED TO ACCOUNTS FOR  
 12          EMPLOYEES OF SMALL EMPLOYERS AND SELF-EM-  
 13          PLOYED INDIVIDUALS.—

14                 (1) IN GENERAL.—Section 220(c)(1)(A) of the  
 15          Internal Revenue Code of 1986 (relating to eligible  
 16          individual) is amended to read as follows:

17                         “(A) IN GENERAL.—The term ‘eligible in-  
 18                         dividual’ means, with respect to any month, any  
 19                         individual if—

20                                 “(i) such individual is covered under a  
 21                                 high deductible health plan as of the 1st  
 22                                 day of such month, and

23                                 “(ii) such individual is not, while cov-  
 24                                 ered under a high deductible health plan,  
 25                                 covered under any health plan—

1 “(I) which is not a high deduct-  
 2 ible health plan, and  
 3 “(II) which provides coverage for  
 4 any benefit which is covered under the  
 5 high deductible health plan.”

6 (2) CONFORMING AMENDMENTS.—

7 (A) Section 220(c)(1) of such Code is  
 8 amended by striking subparagraph (C).

9 (B) Section 220(c) of such Code is amend-  
 10 ed by striking paragraph (4) (defining small  
 11 employer) and by redesignating paragraph (5)  
 12 as paragraph (4).

13 (C) Section 220(b) of such Code is amend-  
 14 ed by striking paragraph (4) (relating to deduc-  
 15 tion limited by compensation) and by redesign-  
 16 ating paragraphs (5), (6), and (7) as para-  
 17 graphs (4), (5), and (6), respectively.

18 (c) INCREASE IN AMOUNT OF DEDUCTION ALLOWED  
 19 FOR CONTRIBUTIONS TO MEDICAL SAVINGS ACCOUNTS.—

20 (1) IN GENERAL.—Paragraph (2) of section  
 21 220(b) of such Code is amended to read as follows:

22 “(2) MONTHLY LIMITATION.—The monthly lim-  
 23 itation for any month is the amount equal to  $\frac{1}{12}$  of  
 24 the annual deductible (as of the first day of such

1 month) of the individual’s coverage under the high  
 2 deductible health plan.”.

3 (2) CONFORMING AMENDMENT.—Clause (ii) of  
 4 section 220(d)(1)(A) of such Code is amended by  
 5 striking “75 percent of”.

6 (d) BOTH EMPLOYERS AND EMPLOYEES MAY CON-  
 7 TRIBUTE TO MEDICAL SAVINGS ACCOUNTS.—Paragraph  
 8 (4) of section 220(b) of such Code, as redesignated by sub-  
 9 section (b)(2)(C), is amended to read as follows:

10 “(4) COORDINATION WITH EXCLUSION FOR EM-  
 11 PLOYER CONTRIBUTIONS.—The limitation which  
 12 would (but for this paragraph) apply under this sub-  
 13 section to the taxpayer for any taxable year shall be  
 14 reduced (but not below zero) by the amount which  
 15 would (but for section 106(b)) be includible in the  
 16 taxpayer’s gross income for such taxable year.”.

17 (e) REDUCTION OF PERMITTED DEDUCTIBLES  
 18 UNDER HIGH DEDUCTIBLE HEALTH PLANS.—

19 (1) IN GENERAL.—Subparagraph (A) of section  
 20 220(c)(2) of such Code (defining high deductible  
 21 health plan) is amended—

22 (A) by striking “\$1,500” and inserting  
 23 “\$1,000”, and

24 (B) by striking “\$3,000” in clause (ii) and  
 25 inserting “\$2,000”.

1           (2) CONFORMING AMENDMENT.—Subsection (g)  
2       of section 220 of such Code is amended—

3                   (A) by striking “1998” and inserting  
4       “1999”; and

5                   (B) by striking “1997” and inserting  
6       “1998”.

7       (f) MEDICAL SAVINGS ACCOUNTS MAY BE OFFERED  
8   UNDER CAFETERIA PLANS.—Subsection (f) of section  
9   125 of such Code is amended by striking “106(b),”.

10       (g) EFFECTIVE DATE.—The amendments made by  
11   this section shall apply to taxable years ending after the  
12   date of the enactment of this Act.

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