

111TH CONGRESS
1ST SESSION

H. R. 3971

To amend the Internal Revenue Code of 1986 to expand the permissible use of health savings accounts to include health insurance payments and to increase the dollar limitation for contributions to health savings accounts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 29, 2009

Mr. FLAKE introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to expand the permissible use of health savings accounts to include health insurance payments and to increase the dollar limitation for contributions to health savings accounts, and for other purposes.

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, ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Health Savings Account Expansion Act of 2009”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—EXPANSION OF HEALTH SAVINGS ACCOUNTS

Sec. 101. Repeal of high deductible health plan requirement.

Sec. 102. Health insurance may be purchased from account.

Sec. 103. Increase in dollar limitation.

Sec. 104. Effective date.

TITLE II—TERMINATION OF EXISTING HEALTH-RELATED TAX PREFERENCES FOR MEDICAL COVERAGE, MEDICAL CARE, ETC

Sec. 201. Termination of existing health-related tax preferences for medical coverage, medical care, etc.

Sec. 202. Termination of employer deduction for health coverage.

1 **TITLE I—EXPANSION OF HEALTH** 2 **SAVINGS ACCOUNTS**

3 **SEC. 101. REPEAL OF HIGH DEDUCTIBLE HEALTH PLAN RE-** 4 **QUIREMENT.**

5 (a) IN GENERAL.—Section 223 of the Internal Rev-
6 enue Code of 1986 is amended by striking subsection (c)
7 and redesignating subsections (d) through (h) as sub-
8 sections (c) through (g), respectively.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Subsection (a) of section 223 of such Code
11 is amended to read as follows:

12 “(a) DEDUCTION ALLOWED.—In the case of an indi-
13 vidual, there shall be allowed as a deduction for a taxable
14 year an amount equal to the aggregate amount paid in
15 cash during such taxable year by or on behalf of such indi-
16 vidual to a health savings account of such individual.”.

17 (2) Subsection (b) of section 223 of such Code
18 is amended by striking paragraph (8).

1 (3) Subparagraph (A) of section 223(c)(1) of
2 the Internal Revenue Code of 1986 (as redesignated
3 by subsection (a)) is amended—

4 (A) by striking “subsection (f)(5)” and in-
5 serting “subsection (e)(5)”, and

6 (B) in clause (ii)—

7 (i) by striking “the sum of—” and all
8 that follows and inserting “the dollar
9 amount in effect under subsection (b)(1).”.

10 (4) Section 223(f)(1) of such Code (as redesign-
11 nated by subsection (a)) is amended by striking
12 “Each dollar amount in subsections (b)(2) and
13 (c)(2)(A)” and inserting “In the case of a taxable
14 year beginning after December 31, 2010, each dollar
15 amount in subsection (b)(1)”.

16 (5) Section 26(b)(U) of such Code is amended
17 by striking “section 223(f)(4)” and inserting “sec-
18 tion 223(e)(4)”.

19 (6) Sections 35(g)(3), 220(f)(5)(A),
20 848(e)(1)(v), 4973(a)(5), and 6051(a)(12) of such
21 Code are each amended by striking “section 223(d)”
22 each place it appears and inserting “section 223(c)”.

23 (7) Section 106(d)(1) of such Code is amend-
24 ed—

1 (A) by striking “who is an eligible indi-
2 vidual (as defined in section 223(c)(1))”, and

3 (B) by striking “section 223(d)” and in-
4 serting “section 223(c)”.

5 (8) Section 408(d)(9) of such Code is amend-
6 ed—

7 (A) in subparagraph (A) by striking “who
8 is an eligible individual (as defined in section
9 223(c)) and”, and

10 (B) in subparagraph (C) by striking “com-
11 puted on the basis of the type of coverage under
12 the high deductible health plan covering the in-
13 dividual at the time of the qualified HSA fund-
14 ing distribution”.

15 (9) Section 877A(g)(6) of such Code is amend-
16 ed by striking “223(f)(4)” and inserting
17 “223(e)(4)”.

18 (10) Section 4973(g) of such Code is amend-
19 ed—

20 (A) by striking “section 223(d)” and in-
21 serting “section 223(c)”,

22 (B) in paragraph (2), by striking “section
23 223(f)(2)” and inserting “section 223(e)(2)”,
24 and

1 (C) by striking “section 223(f)(3)” and in-
 2 serting “section 223(e)(3)”.

3 (11) Section 4975 of such Code is amended—

4 (A) in subsection (c)(6)—

5 (i) by striking “section 223(d)” and
 6 inserting “section 223(c)”, and

7 (ii) by striking “section 223(e)(2)”
 8 and inserting “section 223(d)(2)”, and

9 (B) in subsection (e)(1)(E), by striking
 10 “section 223(d)” and inserting “section
 11 223(c)”.

12 (12) Section 6693(a)(2)(C) of such Code is
 13 amended by striking “section 223(h)” and inserting
 14 “section 223(g)”.

15 **SEC. 102. HEALTH INSURANCE MAY BE PURCHASED FROM**
 16 **ACCOUNT.**

17 Paragraph (2) of section 223(d) of the Internal Rev-
 18 enue Code of 1986 is amended to read as follows:

19 “(2) QUALIFIED MEDICAL EXPENSES.—The
 20 term ‘qualified medical expenses’ means, with re-
 21 spect to an account beneficiary, amounts paid by
 22 such beneficiary for medical care (as defined in sec-
 23 tion 213(d)) for such individual, the spouse of such
 24 individual, and any dependent (as defined in section
 25 152, determined without regard to subsections

1 (b)(1), (b)(2), and (d)(1)(B) thereof) of such indi-
 2 vidual, but only to the extent such amounts are not
 3 compensated for by insurance or otherwise.”.

4 **SEC. 103. INCREASE IN DOLLAR LIMITATION.**

5 (a) IN GENERAL.—Paragraph (1) of section 223(b)
 6 of the Internal Revenue Code of 1986 is amended by strik-
 7 ing “the sum of the monthly” and all that follows through
 8 “eligible individual” and inserting “\$8,000 (\$16,000 in
 9 the case of a joint return)”.

10 (b) CONFORMING AMENDMENTS.—

11 (1) Subsection (b) of such Code is amended by
 12 striking paragraphs (2), (3), and (5) and by redesign-
 13 ating paragraphs (4), (6), and (7) as paragraphs
 14 (2), (3), and (4), respectively.

15 (2) Paragraph (2) of section 223(b) of such
 16 Code (as redesignated by paragraph (1)) is amended
 17 by striking the last sentence.

18 (3) Paragraph (4) of section 223(b) of such
 19 Code (as redesignated by paragraph (1)) is amended
 20 to read as follows:

21 “(4) MEDICARE ELIGIBLE INDIVIDUALS.—The
 22 limitation under this subsection for any taxable year
 23 with respect to an individual shall—

24 “(A) in the case of the first taxable year
 25 in which such individual is entitled to benefits

under title XVIII of the Social Security Act, be the amount which bears the same proportion to the amount in effect under paragraph (1) with respect to such individual as—

“(i) the number of months in the taxable year during which such individual was not so entitled, bears

“(ii) to 12, and

“(B) be zero for any taxable year thereafter.”.

(4) Subparagraph (B) of section 223(f)(1) of such Code (as redesignated by section 101) is amended to read as follows:

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins determined by substituting ‘calendar year 2009’ for ‘calendar year 1992’.”.

SEC. 104. EFFECTIVE DATE.

The amendments made by this title shall apply to taxable years beginning after the date of the enactment of this Act.

1 **TITLE II—TERMINATION OF EX-**
 2 **ISTING HEALTH-RELATED**
 3 **TAX PREFERENCES FOR MED-**
 4 **ICAL COVERAGE, MEDICAL**
 5 **CARE, ETC**

6 **SEC. 201. TERMINATION OF EXISTING HEALTH-RELATED**
 7 **TAX PREFERENCES FOR MEDICAL COV-**
 8 **ERAGE, MEDICAL CARE, ETC.**

9 (a) AMOUNTS RECEIVED UNDER ACCIDENT AND
 10 HEALTH PLANS.—Section 105 of the Internal Revenue
 11 Code of 1986 is amended by adding at the end the fol-
 12 lowing:

13 “(k) TERMINATION.—This section shall not apply to
 14 taxable years beginning after December 31, 2009.”.

15 (b) CONTRIBUTIONS BY EMPLOYER TO ACCIDENT
 16 AND HEALTH PLANS.—

17 (1) IN GENERAL.—Section 106 of such Code is
 18 amended by adding at the end the following:

19 “(f) TERMINATION.—This section shall not apply to
 20 taxable years beginning after December 31, 2009.”.

21 (2) CONFORMING AMENDMENT.—Subparagraph
 22 (B) of section 223(b)(2) of such Code, as amended
 23 by section 103 of this Act, is amended by striking
 24 “which is excludable from the taxpayer’s gross in-
 25 come for such taxable year under section 106(d)”

1 and inserting “which would have been excludable
2 from the taxpayer’s gross income for such taxable
3 year under section 106(d) (determined as if such
4 section was in effect on the day before the date of
5 enactment of the Health Savings Account Expansion
6 Act of 2009)”.

7 (c) SPECIAL RULES FOR HEALTH INSURANCE COSTS
8 OF SELF-EMPLOYED INDIVIDUALS.—Paragraph (1) of
9 section 162(l) of such Code is amended by adding at the
10 end the following new subparagraph:

11 “(C) YEARS AFTER 2009.—In the case of
12 any taxable year beginning in a calendar year
13 after 2009, the applicable percentage shall be
14 zero.”.

15 (d) MEDICAL, DENTAL, ETC., EXPENSES.—Section
16 213 of such Code is amended by adding at the end the
17 following:

18 “(f) TERMINATION.—This section shall not apply to
19 taxable years beginning after December 31, 2009.”.

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date of the enactment
22 of this Act.

1 **SEC. 202. TERMINATION OF EMPLOYER DEDUCTION FOR**
2 **HEALTH COVERAGE.**

3 (a) IN GENERAL.—Section 162 of the Internal Rev-
4 enue Code of 1986 is amended by redesignating subsection
5 (q) as subsection (r) and by inserting after subsection (p)
6 the following new subsection:

7 “(q) DENIAL OF DEDUCTION FOR MEDICAL CARE.—
8 No deduction shall be allowed under this chapter to an
9 employer for any amount paid or incurred with respect
10 to an employee, his spouse, and dependents during the
11 taxable year—

12 “(1) for insurance which constitutes medical
13 care,

14 “(2) under a health flexible spending arrange-
15 ment or health reimbursement arrangement,

16 “(3) to an Archer MSA or a health savings ac-
17 count, or

18 “(4) under any other arrangement under which
19 the employer provides medical care, directly or indi-
20 rectly, to the employee, spouse, or dependent.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to taxable years beginning after
23 December 31, 2009.

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