

116TH CONGRESS
2D SESSION

H. R. 7825

To amend the Internal Revenue Code of 1986 to create increased opportunities for savings to HSA, MSA, and FSA plans, to mitigate the financial strain on families caused by COVID–19, to provide for child nutrition, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 29, 2020

Mr. BUCK 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 create increased opportunities for savings to HSA, MSA, and FSA plans, to mitigate the financial strain on families caused by COVID–19, to provide for child nutrition, 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.**

4 This Act may be cited as the “Pandemic Eradication
5 and Enhanced Prevention through Savings Act” or the
6 “PEEPS Act”.

1 **SEC. 2. MODIFICATIONS OF HSAS, ARCHER MSAS, AND**
2 **FSAS.**

3 (a) COBRA COVERAGE.—

4 (1) HSA.—Section 223(d)(2) of the Internal
5 Revenue Code of 1986 is amended by adding at the
6 end the following:

7 “(E) COBRA COVERAGE.—Subparagraph
8 (B) shall not apply to amounts paid during cal-
9 endar year 2020 for premiums for coverage
10 under a group health plan pursuant to section
11 4980B(f).”.

12 (2) FSA.—Section 106 of such Code is amend-
13 ed by adding at the end the following:

14 “(h) FSA PAYMENTS FOR COBRA COVERAGE.—A
15 plan shall not fail to be treated as a health flexible spend-
16 ing arrangement under this section merely because such
17 plan provides for a distribution during calendar year 2020
18 to make payments for premiums for coverage under a
19 group health plan pursuant to section 4980B(f).”.

20 (b) HEALTH INSURANCE PREMIUMS FOR THOSE
21 NOT COVERED BY EMPLOYER-SPONSORED HEALTH
22 PLAN DURING 2020.—

23 (1) HSA.—Section 223(d)(2) of such Code, as
24 amended by subsection (a), is amended by adding at
25 the end the following:

1 “(F) HEALTH INSURANCE PREMIUMS FOR
2 THOSE NOT COVERED BY EMPLOYER-SPON-
3 SORED COVERAGE IN 2020.—Subparagraph (B)
4 shall not apply to amounts paid during calendar
5 year 2020 for premiums for coverage under a
6 health plan for any month for which the health
7 plan of the individual—

8 “(i) is not an employer-sponsored
9 health plan, and

10 “(ii) does not include coverage for
11 abortions (other than any abortion nec-
12 essary to save the life of the mother or any
13 abortion with respect to a pregnancy that
14 is the result of an act of rape or incest).”.

15 (2) ARCHER MSA.—Section 220(d)(2) of such
16 Code is amended by adding at the end the following:

17 “(D) HEALTH INSURANCE PREMIUMS FOR
18 THOSE NOT COVERED BY EMPLOYER-SPON-
19 SORED COVERAGE IN 2020.—Subparagraph (B)
20 shall not apply to amounts paid during calendar
21 year 2020 for premiums for coverage under a
22 high deductible health plan for any month for
23 which the health plan of the individual—

24 “(i) is not an employer-sponsored
25 health plan, and

1 “(ii) does not include coverage for
2 abortions (other than any abortion nec-
3 essary to save the life of the mother or any
4 abortion with respect to a pregnancy that
5 is the result of an act of rape or incest).”.

6 (3) FSA.—Section 106 of such Code, as
7 amended by subsection (a), is amended by adding at
8 the end the following:

9 “(i) HEALTH INSURANCE PREMIUMS FOR THOSE
10 NOT ELIGIBLE FOR EMPLOYER-SPONSORED COVERAGE
11 IN 2020 AND 2021.—A plan shall not fail to be treated
12 as a health flexible spending arrangement under this sec-
13 tion merely because such plan provides for a distribution
14 during calendar year 2020 or 2021 for premiums for cov-
15 erage for medical expenses under an accident or health
16 plan of a plan beneficiary if the beneficiary is not eligible
17 for coverage by an employer-sponsored health plan. The
18 preceding sentence shall only apply if the coverage does
19 not include coverage for abortions (other than any abor-
20 tion necessary to save the life of the mother or any abor-
21 tion with respect to a pregnancy that is the result of an
22 act of rape or incest).”.

23 (c) HSAs WITHOUT HIGH DEDUCTIBLE HEALTH
24 PLANS FOR 2020 AND 2021.—Section 223 of such Code
25 is amended by adding at the end the following:

1 “(i) SPECIAL RULE FOR CALENDAR YEARS 2020
2 AND 2021.—

3 “(1) IN GENERAL.—Notwithstanding subsection
4 (c)(1)(A) and subject to paragraph (2), for calendar
5 years 2020 and 2021, the term ‘eligible individual’
6 means, with respect to any month, any individual if
7 the individual is covered under any health plan, in-
8 cluding any the following:

9 “(A) GOVERNMENT SPONSORED PRO-
10 GRAMS.—Coverage under—

11 “(i) The Medicare program under
12 part A of title XVIII of the Social Security
13 Act.

14 “(ii) The Medicaid program under
15 title XIX of the Social Security Act.

16 “(iii) The CHIP program under title
17 XXI of the Social Security Act or under a
18 qualified CHIP look-alike program (as de-
19 fined in section 2107(g) of the Social Secu-
20 rity Act).

21 “(iv) Medical coverage under chapter
22 55 of title 10, United States Code, includ-
23 ing coverage under the TRICARE pro-
24 gram.

1 “(v) A health care program under
2 chapter 17 or 18 of title 38, United States
3 Code, as determined by the Secretary of
4 Veterans Affairs, in coordination with the
5 Secretary of Health and Human Services
6 and the Secretary.

7 “(vi) A health plan under section
8 2504(e) of title 22, United States Code
9 (relating to Peace Corps volunteers).

10 “(vii) The Non-appropriated Fund
11 Health Benefits Program of the Depart-
12 ment of Defense, established under section
13 349 of the National Defense Authorization
14 Act for Fiscal Year 1995 (Public Law
15 103–337; 10 U.S.C. 1587 note).

16 “(B) EMPLOYER-SPONSORED PLAN.—Cov-
17 erage under an eligible employer-sponsored
18 plan.

19 “(C) PLANS IN THE INDIVIDUAL MAR-
20 KET.—Coverage under a health plan offered in
21 the individual market within a State.

22 “(D) GRANDFATHERED HEALTH PLAN.—
23 Coverage under a grandfathered health plan.

24 “(E) COVERAGE.—Such other health bene-
25 fits coverage, such as a State health benefits

1 risk pool, as the Secretary of Health and
2 Human Services, in coordination with the Sec-
3 retary, recognizes for purposes of this sub-
4 section.

5 “(2) MODIFICATIONS.—For purposes of para-
6 graph (1), subsection (b)(8) shall be applied by sub-
7 stituting ‘health plan’ for ‘high deductible health
8 plan’ each place it appears and subsection (c)(1)(B)
9 shall not apply.”.

10 (d) WAIVER OF CARRYOVER LIMITATION ON FSA
11 2020 FUNDS.—Section 106 of such Code, as amended by
12 the preceding provisions of this section, is amended by
13 adding at the end the following:

14 “(j) FSA CARRYOVER WITHOUT LIMITATION ON
15 2020 CONTRIBUTIONS.—There shall be no limitation on
16 the amount of funds contributed during 2020 to a health
17 flexible spending arrangement under this section that may
18 be carried over to the succeeding plan year.”.

19 (e) PREMIUM FOR BENEFITS UNDER MEDICARE FOR
20 2020.—

21 (1) HSA.—Section 223(d)(2) of such Code, as
22 amended by the preceding provisions of this section,
23 is amended by adding at the end the following:

24 “(G) PREMIUMS FOR BENEFITS UNDER
25 MEDICARE FOR 2020.—Subparagraph (B) shall

1 not apply to amounts paid during calendar year
2 2020 for any monthly premium for benefits
3 under part A of title XVIII of the Social Secu-
4 rity Act, any monthly premium for benefits
5 under part B of such title, any monthly pre-
6 mium under a Medicare Advantage plan under
7 part C of such title, or any monthly premium
8 under a prescription drug plan under part D of
9 such title.”.

10 (2) ARCHER MSA.—Section 220(d)(2) of such
11 Code, as amended by the preceding provisions of this
12 section, is amended by adding at the end the fol-
13 lowing:

14 “(F) PREMIUMS FOR BENEFITS UNDER
15 MEDICARE FOR 2020.—Subparagraph (B) shall
16 not apply to amounts paid during calendar year
17 2020 for any monthly premium for benefits
18 under part A of title XVIII of the Social Secu-
19 rity Act, any monthly premium for benefits
20 under part B of such title, any monthly pre-
21 mium under a Medicare Advantage plan under
22 part C of such title, or any monthly premium
23 under a prescription drug plan under part D of
24 such title.”.

1 (3) FSA.—Section 106 of such Code, as
 2 amended by the preceding provisions of this section,
 3 is amended by adding at the end the following:

4 “(k) FSA PAYMENTS FOR BENEFITS UNDER MEDI-
 5 CARE FOR 2020.—A plan shall not fail to be treated as
 6 a health flexible spending arrangement under this section
 7 merely because such plan provides for a distribution dur-
 8 ing calendar year 2020 for any monthly premium for bene-
 9 fits under part A of title XVIII of the Social Security Act,
 10 any monthly premium for benefits under part B of such
 11 title, any monthly premium under a Medicare Advantage
 12 plan under part C of such title, or any monthly premium
 13 under a prescription drug plan under part D of such
 14 title.”.

15 (f) PAYMENT OF NON-DEPENDENT MEDICAL EX-
 16 PENSES IN 2020.—

17 (1) HSA.—

18 (A) MEDICAL EXPENSES.—Section
 19 223(d)(2) of such Code, as amended by the pre-
 20 ceding provisions of this section, is amended by
 21 adding at the end the following:

22 “(F) NON-DEPENDENT MEDICAL EX-
 23 PENSES IN 2020.—During calendar year 2020,
 24 subparagraph (A) shall be applied without re-
 25 gard to the requirement that medical care be

1 for the individual, the spouse of such individual,
2 and any dependent (as defined in section 152,
3 determined without regard to subsections
4 (b)(1), (b)(2), and (d)(1)(B) thereof) of such
5 individual.”.

6 (B) ROLLOVER.—Section 223(f)(5) of such
7 Code is amended by adding at the end the fol-
8 lowing:

9 “(C) ROLLOVER GIFTS.—Notwithstanding
10 the preceding provisions of this paragraph, an
11 amount is described in this paragraph as a roll-
12 over contribution in the case of a taxable year
13 beginning in 2020 and paragraph (2) shall not
14 apply to any amount paid or distributed from
15 a health savings account of a beneficiary to a
16 health savings account of an individual who is
17 not such beneficiary, the spouse of such bene-
18 ficiary, or any dependent (as defined in section
19 152, determined without regard to subsections
20 (b)(1), (b)(2), and (d)(1)(B) thereof) of such
21 beneficiary, to the extent—

22 “(i) the amount received is paid into
23 the health savings account for the benefit
24 of such individual not later than the 60th
25 day after the day on which the account

1 beneficiary receives the payment or dis-
 2 tribution, and

3 “(ii) the aggregate amount of such
 4 transfers to all other individuals does not
 5 exceed \$2,020 in 2020.”.

6 (C) DONATIONS TO QUALIFIED CHARITY.—
 7 Section 223(f) of such Code is amended by add-
 8 ing at the end the following:

9 “(9) DONATIONS TO QUALIFIED CHARITY.—

10 “(A) DONATIONS ALLOWABLE.—Para-
 11 graph (2) shall not apply to any amount paid
 12 or distributed from a health savings account to
 13 the extent the amount (not to exceed \$10,000)
 14 is a qualified charitable contribution made by
 15 the account beneficiary during the taxable year.

16 “(B) QUALIFIED CHARITABLE CONTRIBU-
 17 TION.—For purposes of subparagraph (A), the
 18 term ‘qualified charitable contribution’ means a
 19 charitable contribution (as defined in section
 20 170(c))—

21 “(i) which is made in cash,

22 “(ii) for which a deduction is allow-
 23 able under section 170 (determined with-
 24 out regard to subsection (b) thereof and to
 25 subparagraph (C) of this paragraph), and

1 “(iii) which is—

2 “(I) made to an organization de-
3 scribed in section 170(b)(1)(A), and

4 “(II) not—

5 “(aa) to an organization de-
6 scribed in section 509(a)(3), or

7 “(bb) for the establishment
8 of a new, or maintenance of an
9 existing, donor advised fund (as
10 defined in section 4966(d)(2)).

11 “(C) DENIAL OF DEDUCTION.—No deduc-
12 tion shall be allowed for a distribution which is
13 a contribution made pursuant to this para-
14 graph.”.

15 (2) ARCHER MSA.—

16 (A) NON-DEPENDENT MEDICAL EXPENSES
17 IN 2020.—Section 220(d)(2) of such Code, as
18 amended by the preceding provisions of this
19 section, is amended by adding at the end the
20 following:

21 “(E) NON-DEPENDENT MEDICAL EX-
22 PENSES IN 2020.—During calendar year 2020,
23 subparagraph (A) shall be applied without re-
24 gard to the requirement that medical care be
25 for the individual, the spouse of such individual,

1 and any dependent (as defined in section 152,
2 determined without regard to subsections
3 (b)(1), (b)(2), and (d)(1)(B) thereof) of such
4 individual.”.

5 (B) ROLLOVER.—Section 220(f)(5) of such
6 Code is amended by adding at the end the fol-
7 lowing:

8 “(C) ROLLOVER GIFTS.—Notwithstanding
9 the preceding provisions of this paragraph, an
10 amount is described in this paragraph as a roll-
11 over contribution in the case of a taxable year
12 beginning in 2020 and paragraph (2) shall not
13 apply to any amount paid or distributed from
14 a health savings account of a beneficiary to a
15 health savings account of an individual who is
16 not such beneficiary, the spouse of such bene-
17 ficiary, or any dependent (as defined in section
18 152, determined without regard to subsections
19 (b)(1), (b)(2), and (d)(1)(B) thereof) of such
20 beneficiary, to the extent—

21 “(i) the amount received is paid into
22 the health savings account for the benefit
23 of such individual not later than the 60th
24 day after the day on which the account

1 beneficiary receives the payment or dis-
 2 tribution, and

3 “(ii) the aggregate amount of such
 4 transfers to all other individuals does not
 5 exceed \$2,020 in 2020.”.

6 (C) DONATIONS TO QUALIFIED CHARITY.—
 7 Section 220(f) of such Code is amended by add-
 8 ing at the end the following:

9 “(9) DONATIONS TO QUALIFIED CHARITY.—

10 “(A) DONATIONS ALLOWABLE.—Para-
 11 graph (2) shall not apply to any amount paid
 12 or distributed from a health savings account to
 13 the extent the amount (not to exceed \$10,000)
 14 is a qualified charitable contribution made by
 15 the account beneficiary during the taxable year.

16 “(B) QUALIFIED CHARITABLE CONTRIBU-
 17 TION.—For purposes of subparagraph (A), the
 18 term ‘qualified charitable contribution’ means a
 19 charitable contribution (as defined in section
 20 170(c))—

21 “(i) which is made in cash,

22 “(ii) for which a deduction is allow-
 23 able under section 170 (determined with-
 24 out regard to subsection (b) thereof and to
 25 subparagraph (C) of this paragraph), and

1 “(iii) which is—

2 “(I) made to an organization de-
3 scribed in section 170(b)(1)(A), and

4 “(II) not—

5 “(aa) to an organization de-
6 scribed in section 509(a)(3), or

7 “(bb) for the establishment
8 of a new, or maintenance of an
9 existing, donor advised fund (as
10 defined in section 4966(d)(2)).

11 “(C) DENIAL OF DEDUCTION.—No deduc-
12 tion shall be allowed for a distribution which is
13 a contribution made pursuant to this para-
14 graph.”.

15 (g) CAFETERIA PLANS.—Section 125 of such Code
16 is amended by redesignating subsections (k) and (l) as
17 subsections (l) and (m), respectively, and by inserting
18 after subsection (j) the following new subsection:

19 “(k) ADDITIONAL EMPLOYER CONTRIBUTIONS.—

20 “(1) IN GENERAL.—A plan shall not fail to be
21 treated as a cafeteria plan under this section merely
22 because the employer makes contributions to em-
23 ployee health savings accounts during plan years be-
24 ginning in 2020 or 2021 without regard to choices
25 made by participants.

1 “(2) APPLICABLE RULES.—For purposes of
2 paragraph (1)—

3 “(A) subsections (b) and (c) shall apply
4 with respect to such contributions,

5 “(B) the dollar limitation in subsection
6 (i)(1) shall not apply with respect to such con-
7 tributions, and

8 “(C) in the case of an eligible employer (as
9 defined in subsection (j)(5)), the requirements
10 of subsection (j) shall apply, except that such
11 contributions shall be treated as in addition to
12 contributions required under subsection
13 (j)(3)(A).”.

14 (h) EXPANSION OF ALLOWABLE MEDICAL EXPENSES
15 FOR 2020.—

16 (1) HSA.—Section 223(d)(2) of such Code, as
17 amended by the preceding provisions of this section,
18 is amended by adding at the end the following:

19 “(H) ADDITIONAL ALLOWABLE MEDICAL
20 EXPENSES FOR 2020.—For calendar year 2020,
21 amounts paid for masks, testing supplies, pain
22 relievers and fever reducing OTC products, and
23 for child nutrition shall be treated as paid for
24 medical care.”.

1 (2) ARCHER MSA.—Section 220(d)(2) of such
2 Code, as amended by the preceding provisions of this
3 section, is amended by adding at the end the fol-
4 lowing:

5 “(G) ADDITIONAL ALLOWABLE MEDICAL
6 EXPENSES FOR 2020.—For calendar year 2020,
7 amounts paid for masks, testing supplies, pain
8 relievers and fever reducing OTC products, and
9 for child nutrition shall be treated as paid for
10 medical care.”.

11 (3) FSA.—Section 106 of such Code, as
12 amended by the preceding provisions of this section,
13 is amended by adding at the end the following:

14 “(k) ADDITIONAL ALLOWABLE MEDICAL EXPENSES
15 FOR 2020.—For calendar year 2020, amounts paid for
16 masks, testing supplies, pain relievers and fever reducing
17 OTC products, and for child nutrition shall be treated as
18 paid for medical care.”.

19 (i) INCREASE HSA AND MSA CONTRIBUTION LIMITS
20 FOR 2020.—

21 (1) HSA.—Section 223(b) of such Code is
22 amended by adding at the end the following:

23 “(9) INCREASE IN CONTRIBUTION LIMITS FOR
24 2020.—In the case of any taxable year beginning in
25 calendar year 2020, the amount allowed as a deduc-

tion under subsection (a) shall be 120 percent of the amount allowed as a deduction under subsection (a) without regard to this paragraph.”.

(2) ARCHER MSA.—Section 220(b) of such Code is amended by adding at the end the following:

“(8) INCREASE IN CONTRIBUTION LIMITS FOR 2020.—In the case of any taxable year beginning in calendar year 2020, the amount allowed as a deduction under subsection (a) shall be 120 percent of the amount allowed as a deduction under subsection (a) without regard to this paragraph.”.

(j) INCREASE HSA AND MSA CONTRIBUTION LIMITS FOR BENEFICIARIES HOSPITALIZED OR TESTING POSITIVE FOR COVID-19.—

(1) HSA.—Section 223(b) of such Code, as amended by the preceding provisions of this section, is amended by adding at the end the following:

“(10) INCREASE IN CONTRIBUTION LIMITS HOSPITALIZED OR TESTING POSITIVE FOR COVID-19.— In the case of any taxable year beginning in calendar year 2020 or 2021 in which the account beneficiary or any individual described in paragraph (2)(A) is hospitalized or tests positive for COVID-19, the amount allowed as a deduction under subsection (a) shall, be 300 percent of the amount al-

1 lowed as a deduction under subsection (a) without
2 regard to this paragraph and paragraph (9).”.

3 (2) ARCHER MSA.—Section 220(b) of such
4 Code is amended by adding at the end the following:

5 “(9) INCREASE IN CONTRIBUTION LIMITS FOR
6 BENEFICIARIES HOSPITALIZED OR TESTING POSI-
7 TIVE FOR COVID–19.—In the case of any taxable
8 year beginning in calendar year 2020 or 2021 in
9 which the account beneficiary or any individual de-
10 scribed in paragraph (2)(A) is hospitalized or tests
11 positive for COVID–19, the amount allowed as a de-
12 duction under subsection (a) shall, be 300 percent of
13 the amount allowed as a deduction under subsection
14 (a) without regard to this paragraph and paragraph
15 (8).”.

16 (k) EFFECTIVE DATE.—The amendments made by
17 this Act shall apply to years ending after the date of the
18 enactment of this Act.

19 **SEC. 3. DISALLOWANCE OF COSTS FOR ABORTION.**

20 (a) HSA.—Paragraph (2) of section 223(d) of the In-
21 ternal Revenue Code of 1986, as amended by the pre-
22 ceding provisions of this Act, is amended by adding at the
23 end the following new subparagraph:

24 “(I) DISALLOWANCE OF COSTS FOR ABOR-
25 TION.—Such term shall not include any

1 amounts paid for any abortion or premiums of
2 any health insurance that includes coverage of
3 abortion, other than—

4 “(i) in the case of a physical disorder,
5 physical injury, or physical illness which
6 would, as certified by a physician, place
7 the pregnant individual in danger of death
8 unless an abortion is performed, including
9 a life-endangering physical condition
10 caused by or arising from the pregnancy
11 itself, and

12 “(ii) in the case of a pregnancy result-
13 ing from an act of rape or incest.”.

14 (b) ARCHER MSA.—Paragraph (2) of section 220(d)
15 of such, as amended by the preceding provisions of this
16 Act, is amended by adding at the end the following new
17 subparagraph:

18 “(H) DISALLOWANCE OF COSTS FOR
19 ABORTION.—Such term shall not include any
20 amounts paid for any abortion or premiums of
21 any health insurance that includes coverage of
22 abortion, other than—

23 “(i) in the case of a physical disorder,
24 physical injury, or physical illness which
25 would, as certified by a physician, place

1 the pregnant individual in danger of death
2 unless an abortion is performed, including
3 a life-endangering physical condition
4 caused by or arising from the pregnancy
5 itself, and

6 “(ii) in the case of a pregnancy result-
7 ing from an act of rape or incest.”.

8 (c) FSA.—Section 106 of such Code, as amended by
9 the preceding provisions of this section, is amended by
10 adding at the end the following:

11 “(1) DISALLOWANCE OF COSTS FOR ABORTION.—A
12 plan shall not be treated as a health flexible spending ar-
13 rangement under this section if such plan provides for any
14 reimbursement of amounts paid for any abortion or pre-
15 miums of any health insurance that includes coverage of
16 abortion, other than—

17 “(1) in the case of a physical disorder, physical
18 injury, or physical illness which would, as certified
19 by a physician, place the pregnant individual in dan-
20 ger of death unless an abortion is performed, includ-
21 ing a life-endangering physical condition caused by
22 or arising from the pregnancy itself, and

23 “(2) in the case of a pregnancy resulting from
24 an act of rape or incest.”.

1 (d) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to taxable years beginning after
3 December 31, 2020.

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