

113TH CONGRESS
2D SESSION

H. R. 4777

To amend the Internal Revenue Code of 1986 to modify rules relating to health savings accounts.

IN THE HOUSE OF REPRESENTATIVES

MAY 30, 2014

Mr. BURGESS introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on the Judiciary and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to modify rules relating to health 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 “Health Savings Act
5 of 2014”.

6 **SEC. 2. HEALTH SAVINGS ACCOUNTS FOR CHILDREN.**

7 (a) IN GENERAL.—Section 223 of the Internal Rev-
8 enue Code of 1986 is amended by adding at the end the
9 following new subsection:

1 “(h) CHILD HEALTH SAVINGS ACCOUNTS.—

2 “(1) IN GENERAL.—In the case of an indi-
3 vidual, in addition to any deduction allowed under
4 subsection (a) for any taxable year, there shall be al-
5 lowed as a deduction under this section an amount
6 equal to the aggregate amount paid in cash by the
7 taxpayer during the taxable year to a child health
8 savings account of a child or grandchild of the tax-
9 payer.

10 “(2) LIMITATIONS.—

11 “(A) DEDUCTION LIMITATION.—The
12 amount taken into account under paragraph (1)
13 with respect to each child or grandchild of the
14 taxpayer, as the case may be, for the taxable
15 year shall not exceed the sum of the monthly
16 limitations with respect to such child for
17 months during the taxable year that the child
18 is an eligible individual.

19 “(B) LIMIT ON ACCOUNTS WITH RESPECT
20 TO INDIVIDUAL.—The aggregate amount of
21 contributions which may be made for any tax-
22 able year to all child health savings accounts es-
23 tablished and maintained on behalf of a child
24 shall not exceed the sum of the monthly limita-

1 tions for months during the taxable year that
2 the child is an eligible individual.

3 “(C) MONTHLY LIMITATION.—The month-
4 ly limitation for any month with respect to a
5 child is $\frac{1}{12}$ of the amount in effect for the tax-
6 able year under subsection (c)(2)(A)(ii)(I).

7 “(3) TREATMENT OF ACCOUNT WHILE A DE-
8 PENDENT.—For purposes of this section, except as
9 otherwise provided in this subsection, a child health
10 savings account established for the benefit of the
11 child of a taxpayer shall be treated as a health sav-
12 ings account of the taxpayer until the first taxable
13 year (and each taxable year thereafter) for which no
14 deduction under section 151 is allowable to any tax-
15 payer with respect to such child, after which such
16 account shall be treated as a health savings account
17 of the child.

18 “(4) CHILD HEALTH SAVINGS ACCOUNT.—For
19 purposes of this subsection, the term ‘child health
20 savings account’ means a health savings account
21 designated as a child health savings account and es-
22 tablished for the benefit of a child of a taxpayer.

23 “(5) QUALIFIED MEDICAL EXPENSES.—For
24 purposes of this section, the term ‘qualified medical
25 expenses’ shall, with respect to any child health sav-

1 ings account, not include any amounts paid for med-
2 ical care (as defined in section 213(d)) for any indi-
3 vidual other than the child for whose benefit the ac-
4 count is maintained.

5 “(6) EXCEPTIONS FOR DISABILITY OR DEATH
6 OF CHILD.—If the child becomes disabled within the
7 meaning of section 72(m)(7) or dies—

8 “(A) subsection (f)(4)(A) shall not apply to
9 any subsequent payment or distribution, and

10 “(B) the taxpayer may rollover the amount
11 in such account to any health savings account
12 of the taxpayer or grandparent of the child or
13 to any child health savings account of any other
14 child of the taxpayer.

15 “(7) GUARDIANS.—Any legal guardian of a
16 child shall be treated as the parent of such child for
17 purposes of this section.

18 “(8) REGULATIONS.—The Secretary shall pre-
19 scribe such regulations as may be necessary to carry
20 out the purposes of this subsection, including rules
21 for determining application of this subsection in the
22 case of legal guardians and in the case of parents
23 of a child who file separately, are separated, or are
24 not married.”.

1 (b) COORDINATION WITH MEANS-TESTED PRO-
2 GRAMS.—Amounts in a child health savings account shall
3 not be taken into account in determining resources for
4 purposes of title XIX of the Social Security Act.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning after
7 the date of the enactment of this Act.

8 **SEC. 3. ALLOWING HSA ROLLOVER TO CHILD OR PARENT**
9 **OF ACCOUNT HOLDER.**

10 (a) IN GENERAL.—Subparagraph (A) of section
11 223(f)(8) of the Internal Revenue Code of 1986 is amend-
12 ed—

13 (1) by inserting “child, parent, or grandparent”
14 after “surviving spouse”,

15 (2) by inserting “child, parent, or grandparent,
16 as the case may be,” after “the spouse”,

17 (3) by inserting “, CHILD, PARENT, OR GRAND-
18 PARENT” after “SPOUSE” in the heading thereof,
19 and

20 (4) by adding at the end the following: “In the
21 case of a child who acquires such beneficiary’s inter-
22 est and with respect to whom a deduction under sec-
23 tion 151 is allowable to another taxpayer for a tax-
24 able year beginning in the calendar year in which
25 such individual’s taxable year begins, such health

1 savings account shall be treated as a child health
2 savings account of the child.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

6 **SEC. 4. MAXIMUM CONTRIBUTION LIMIT TO HSA IN-**
7 **CREASED TO AMOUNT OF DEDUCTIBLE AND**
8 **OUT-OF-POCKET LIMITATION.**

9 (a) SELF-ONLY COVERAGE.—Subparagraph (A) of
10 section 223(b)(2) of the Internal Revenue Code of 1986
11 is amended by striking “\$2,250” and inserting “the
12 amount in effect under subsection (c)(2)(A)(ii)(I)”.

13 (b) FAMILY COVERAGE.—Subparagraph (B) of sec-
14 tion 223(b)(2) of such Code is amended by striking
15 “\$4,500” and inserting “the amount in effect under sub-
16 section (c)(2)(A)(ii)(II)”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 the date of the enactment of this Act.

20 **SEC. 5. TRANSFER OF REQUIRED MINIMUM DISTRIBUTION**
21 **FROM RETIREMENT PLAN TO HEALTH SAV-**
22 **INGS ACCOUNT.**

23 (a) TRANSFER FROM RETIREMENT PLAN.—

24 (1) INDIVIDUAL RETIREMENT ACCOUNTS.—Sec-
25 tion 408(d) of the Internal Revenue Code of 1986

1 is amended by adding at the end the following new
2 paragraph:

3 “(10) REQUIRED MINIMUM DISTRIBUTION
4 TRANSFERRED TO HEALTH SAVINGS ACCOUNT.—

5 “(A) IN GENERAL.—In the case of an indi-
6 vidual who has attained the age of 70½ and
7 who elects the application of this paragraph for
8 a taxable year, gross income of the individual
9 for the taxable year does not include a qualified
10 HSA transfer to the extent such transfer is oth-
11 erwise includible in gross income.

12 “(B) QUALIFIED HSA TRANSFER.—For
13 purposes of this paragraph, the term ‘qualified
14 HSA transfer’ means any distribution from an
15 individual retirement plan—

16 “(i) to a health savings account of the
17 individual in a direct trustee-to-trustee
18 transfer,

19 “(ii) to the extent such distribution
20 does not exceed the required minimum dis-
21 tribution determined under section
22 401(a)(9) for the distribution calendar
23 year ending during the taxable year.

24 “(C) APPLICATION OF SECTION 72.—Not-
25 withstanding section 72, in determining the ex-

1 tent to which an amount is treated as otherwise
2 includible in gross for purposes of subparagraph
3 (A), the aggregate amount distributed from an
4 individual retirement plan shall be treated as
5 includible in gross income to the extent that
6 such amount does not exceed the aggregate
7 amount which would have been so includible if
8 all amounts from all individual retirement plans
9 were distributed. Proper adjustments shall be
10 made in applying section 72 to other distribu-
11 tions in such taxable year and subsequent tax-
12 able years.

13 “(D) COORDINATION.—An election may
14 not be made under subparagraph (A) for a tax-
15 able year for which an election is in effect
16 under paragraph (9).”.

17 (2) OTHER RETIREMENT PLANS.—Section 402
18 of the Internal Revenue Code of 1986 is amended by
19 adding at the end the following new subsection:

20 “(m) REQUIRED MINIMUM DISTRIBUTION TRANS-
21 FERRED TO HEALTH SAVINGS ACCOUNT.—

22 “(1) IN GENERAL.—In the case of an individual
23 who has attained the age of 70½ and who elects the
24 application of this subsection for a taxable year,
25 gross income of the individual for the taxable year

1 does not include a qualified HSA transfer to the ex-
2 tent such transfer is otherwise includible in gross in-
3 come.

4 “(2) QUALIFIED HSA TRANSFER.—For pur-
5 poses of this subsection, the term ‘qualified HSA
6 transfer’ means any distribution from a retirement
7 plan—

8 “(A) to a health savings account of the in-
9 dividual in a direct trustee-to-trustee transfer,

10 “(B) to the extent such distribution does
11 not exceed the required minimum distribution
12 determined under section 401(a)(9) for the dis-
13 tribution calendar year ending during the tax-
14 able year.

15 “(3) APPLICATION OF SECTION 72.—Notwith-
16 standing section 72, in determining the extent to
17 which an amount is treated as otherwise includible
18 in gross for purposes of paragraph (1), the aggre-
19 gate amount distributed from an individual retire-
20 ment plan shall be treated as includible in gross in-
21 come to the extent that such amount does not exceed
22 the aggregate amount which would have been so in-
23 cludible if all amounts from all individual retirement
24 plans were distributed. Proper adjustments shall be

1 made in applying section 72 to other distributions in
2 such taxable year and subsequent taxable years.

3 “(4) ELIGIBLE RETIREMENT PLAN.—For pur-
4 poses of this subsection, the term ‘eligible retirement
5 plan’ has the meaning given such term by subsection
6 (c)(8)(B) (determined without regard to clauses (i)
7 and (ii) thereof).”.

8 (b) TRANSFER TO HEALTH SAVINGS ACCOUNT.—

9 (1) IN GENERAL.—Subparagraph (A) of section
10 223(d)(1) of such Code is amended by striking “or”
11 at the end of clause (i), by striking the period at the
12 end of clause (ii)(II) and inserting “, or”, and by
13 adding at the end the following new clause:

14 “(iii) unless it is in a qualified HSA
15 transfer described in section 408(d)(10) or
16 402(m).”.

17 (2) EXCISE TAX INAPPLICABLE TO QUALIFIED
18 HSA TRANSFER.—Paragraph (1) of section 4973(g)
19 of such Code is amended by inserting “or in a quali-
20 fied HSA transfer described in section 408(d)(10) or
21 402(m)” after “or 223(f)(5)”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to distributions made after the
24 date of the enactment of this Act.

1 **SEC. 6. EQUIVALENT BANKRUPTCY PROTECTIONS FOR**
2 **HEALTH SAVINGS ACCOUNTS AS RETIRE-**
3 **MENT FUNDS.**

4 (a) IN GENERAL.—Section 522 of title 11, United
5 States Code, is amended by adding at the end the fol-
6 lowing new subsection:

7 “(r) For purposes of this section, any health savings
8 account (as described in section 223 of the Internal Rev-
9 enue Code of 1986) shall be treated in the same manner
10 as an individual retirement account described in section
11 408 of such Code.”.

12 (b) EFFECTIVE DATE.—The amendment made by
13 this section shall apply to cases commencing under title
14 11, United States Code, after the date of the enactment
15 of this Act.

16 **SEC. 7. ALLOWANCE OF SILVER AND BRONZE PLANS IN**
17 **CONNECTION WITH HEALTH SAVINGS AC-**
18 **COUNTS.**

19 (a) IN GENERAL.—Section 223 of the Internal Rev-
20 enue Code of 1986 is amended—

21 (1) by striking “a high deductible health plan”
22 each place it appears and inserting “an HSA com-
23 patible health plan”,

24 (2) by striking “high deductible health plan” in
25 subsection (b)(8)(A)(ii) and inserting “HSA compat-
26 ible health plan”, and

1 (3) by striking “the high deductible health
2 plan” in subsection (c)(1)(A)(ii)(II) and inserting
3 “the HSA compatible health plan”.

4 (b) HSA COMPATIBLE HEALTH PLAN DEFINED.—
5 Paragraph (2) of section 223(c) of such Code is amended
6 by redesignating subparagraphs (A), (B), (C), and (D) as
7 subparagraphs (B), (C), (D), and (E) and by inserting
8 before subparagraph (B), as so redesignated, the following
9 new subparagraph:

10 “(A) IN GENERAL.—The term ‘HSA com-
11 patible health plan’ means—

12 “(i) any high deductible health plan,

13 “(ii) any plan described in section
14 1302(e) of the Patient Protection and Af-
15 fordable Care Act (relating to catastrophic
16 plan), or

17 “(iii) any silver or bronze plan which
18 was enrolled in through an Exchange es-
19 tablished under section 1311 of the Patient
20 Protection and Affordable Care Act.”.

21 (c) CLERICAL AMENDMENTS.—Section 223 of such
22 Code is amended—

23 (1) by striking “IN GENERAL” in the heading
24 for subsection (c)(2)(B), as redesignated by sub-

1 section (b) of this Act, and inserting “HIGH DE-
2 DUCTIBLE HEALTH PLAN”,

3 (2) by striking “HIGH DEDUCTIBLE HEALTH
4 PLAN” in the heading for subsection (b)(8)(B) and
5 inserting “HSA COMPATIBLE HEALTH PLAN”, and

6 (3) by striking “HIGH DEDUCTIBLE HEALTH
7 PLAN” in the heading for subsection (c)(2) and in-
8 serting “HSA COMPATIBLE HEALTH PLAN”.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years beginning after
11 December 31, 2014.

12 **SEC. 8. IDENTIFICATION OF HSA COMPATIBLE PLANS.**

13 Section 1103(b) of the Patient Protection and Af-
14 fordable Care Act (42 U.S.C. 18003(b)) is amended by
15 adding at the end the following new paragraph:

16 “(3) IDENTIFICATION OF HSA COMPATIBLE
17 PLANS.—Beginning for plan year 2015, the format
18 described in paragraph (1) shall require that infor-
19 mation on a coverage option described in subsection
20 (a)(2) that is an HSA compatible health plan (as de-
21 fined in section 223(c)(2) of the Internal Revenue
22 Code of 1986) identifies such plan as a plan that
23 satisfies the requirement of section 223(c)(1)(A)(i)
24 of such Code.”.

○