

**DESCRIPTION OF H.R. 5452, A BILL TO AMEND
THE INTERNAL REVENUE CODE OF 1986 TO PERMIT
INDIVIDUALS ELIGIBLE FOR INDIAN HEALTH SERVICE
ASSISTANCE TO QUALIFY FOR HEALTH SAVINGS ACCOUNTS**

Scheduled for Markup
by the
HOUSE COMMITTEE ON WAYS AND MEANS
on June 15, 2016

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

The House Committee on Ways and Means has scheduled a committee markup of H.R. 5452, a bill to amend the Internal Revenue Code of 1986 to permit individuals eligible for Indian Health Service assistance to qualify for health savings accounts, on June 15, 2016. This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of the bill.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. 5452, a Bill to Amend the Internal Revenue Code of 1986 to Permit Individuals Eligible for Indian Health Service Assistance to Qualify for Health Savings Accounts* (JCX-51-16), June 14, 2016. This document can also be found on the Joint Committee on Taxation website at www.jct.gov. All section references herein are to the Internal Revenue Code of 1986, as amended, unless otherwise stated.

A. Individuals Eligible for Indian Health Service Assistance

Present Law

An individual with a high deductible health plan and no other health plan (other than a plan that provides certain permitted insurance or permitted coverage) is generally eligible to make deductible contributions to a health savings account (“HSA”), subject to certain limits (an “eligible individual”).² HSA contributions made on behalf of an eligible individual by an employer are excludible from income and wages for employment tax purposes. Eligibility for HSA contributions is generally determined monthly, based on the individual’s status and health plan coverage as of the first day of the month.

An individual with other coverage in addition to a high deductible health plan is still eligible to make HSA contributions if such other coverage is permitted insurance or permitted coverage. Permitted insurance is: (1) insurance if substantially all of the coverage provided under such insurance relates to (a) liabilities incurred under worker’s compensation law, (b) tort liabilities, (c) liabilities relating to ownership or use of property (*e.g.*, auto insurance), or (d) such other similar liabilities as the Secretary of the Treasury may prescribe by regulations; (2) insurance for a specified disease or illness; and (3) insurance that provides a fixed payment per day (or other period) for hospitalization. Permitted coverage is coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care. Coverage under certain health flexible spending arrangements or health reimbursement arrangements is also permitted.

Under IRS guidance, an individual who is eligible to receive medical services at an Indian Health Service (“IHS”) facility, but who has not actually received such services during the previous three months, is an eligible individual for purposes of making contributions to an HSA.³ However, an individual generally is not an eligible individual if the individual has received medical services at an IHS facility at any time during the previous three months.

Description of Proposal

Under the proposal, an individual is not treated as covered under a health plan other than a high deductible health plan merely because the individual receives hospital care or medical services under a medical care program of the IHS or of a tribal organization. Thus, an individual who is otherwise an eligible individual for purposes of making HSA contributions does not become ineligible merely because of receiving hospital care or medical services under a medical care program of the IHS or of a tribal organization.

Effective Date

The provision applies to taxable years beginning after December 31, 2016.

² Sec. 223.

³ Notice 2012-14, 2012-1 C.B. 411.

B. Estimated Revenue Effect of the Proposal [1]

Fiscal Years											
[Millions of Dollars]											
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2017-21</u>	<u>2017-26</u>
-1	-8	-12	-17	-19	-20	-22	-24	-26	-28	-57	-178

NOTE: Details do not add to totals due to rounding.

[1] Estimate includes the following off-budget effects:

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2017-21</u>	<u>2017-26</u>
[2]	-3	-4	-5	-6	-7	-7	-8	-8	-9	-18	-57

[2] Loss of less than \$500,000.