

113TH CONGRESS  
2D SESSION

# H. R. 5554

To amend the Internal Revenue Code of 1986 to permit distributions from 529 accounts for medical expenses of account owners who are veterans with disability ratings of greater than 50 percent.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 18, 2014

Mr. BISHOP of New York (for himself and Mr. RANGEL) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to permit distributions from 529 accounts for medical expenses of account owners who are veterans with disability ratings of greater than 50 percent.

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 “Helping Wounded  
5 Warriors Cover Medical Expenses Act”.

1 **SEC. 2. DISTRIBUTIONS FROM 529 ACCOUNTS FOR MEDICAL**  
2 **EXPENSES OF ACCOUNT OWNERS WHO ARE**  
3 **VETERANS WITH DISABILITY RATINGS OF**  
4 **GREATER THAN 50 PERCENT.**

5 (a) EXEMPTION FROM 529 PENALTY.—Section  
6 529(c)(6) of the Internal Revenue Code of 1986 is amend-  
7 ed to read as follows:

8 “(6) ADDITIONAL TAX.—

9 “(A) IN GENERAL.—The tax imposed by  
10 section 530(d)(4) shall apply to any payment or  
11 distribution from a qualified tuition program in  
12 the same manner as such tax applies to a pay-  
13 ment or distribution from a Coverdell education  
14 savings account. This paragraph shall not apply  
15 to any payment or distribution in any taxable  
16 year beginning before January 1, 2004, which  
17 is includible in gross income but used for quali-  
18 fied higher education expenses of the designated  
19 beneficiary.

20 “(B) EXCEPTION.—Subparagraph (A)  
21 shall not apply to any payment or distribution  
22 from a qualified tuition program to the owner  
23 of an account under such program if—

24 “(i) at the time of such payment or  
25 distribution, the owner of such account is  
26 a veteran whom the Secretary of Veterans

1 Affairs determines has a service-connected  
2 disability rated at 50 percent or more, and

3 “(ii) in lieu of using such payment or  
4 distribution for qualified higher education  
5 expenses, such payment or distribution is  
6 used for medical care (as defined in section  
7 213(d)) for such owner.

8 “(C) COORDINATION WITH MEDICAL EX-  
9 PENSE DEDUCTION.—For purposes of deter-  
10 mining the amount of the deduction under sec-  
11 tion 213, any payment or distribution to which  
12 subparagraph (B) applies shall not be treated  
13 as an expense paid for medical care.”

14 (b) EXCLUSION FROM INCOME.—Section 72(e)(6) of  
15 the Internal Revenue Code of 1986 is amended to read  
16 as follows:

17 “(6) EXTENSION OF PARAGRAPH (2)(B) TO  
18 QUALIFIED TUITION PROGRAMS AND COVERDELL  
19 EDUCATION SAVINGS ACCOUNTS.—

20 “(A) IN GENERAL.—Notwithstanding any  
21 other provision of this subsection, paragraph  
22 (2)(B) shall apply to amounts received under a  
23 qualified tuition program (as defined in section  
24 529(b)) or under a Coverdell education savings  
25 account (as defined in section 530(b)). The rule

1 of paragraph (8)(B) shall apply for purposes of  
2 this paragraph.

3 “(B) EXCEPTION.—In the case of an  
4 amount received under a qualified tuition pro-  
5 gram (as defined in section 529(b)) which is  
6 not subject to the penalty under subparagraph  
7 (A) of section 529(c)(6) by reason of subpara-  
8 graph (B) thereof—

9 “(i) subparagraph (A) of this para-  
10 graph shall not apply, and

11 “(ii) the amount received which, but  
12 for this subparagraph, would be treated as  
13 income on the contract shall be treated as  
14 investment in the contract.”.

15 (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to payments and distributions after  
17 the date of the enactment of this Act.

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