

116TH CONGRESS  
1ST SESSION

# H. R. 603

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.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 16, 2019

Mr. GALLAGHER (for himself, Mr. MEADOWS, Mr. TIPTON, and Mr. PALMER) 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 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.**

4       This Act may be cited as the “Health Savings Ac-  
5       count Expansion Act of 2019”.

1     **SEC. 2. ADEQUATE FUNDS FOR HEALTH INSURANCE PLANS.**

2         (a) IN GENERAL.—Section 223(b)(1) of the Internal  
3     Revenue Code of 1986 is amended by striking “the sum  
4     of the monthly” and all that follows through “eligible indi-  
5     vidual” and inserting “\$9,000 (twice such amount in the  
6     case of a joint return)”.

7         (b) CONFORMING AMENDMENTS.—

8             (1) Subsection (b) of such Code is amended by  
9     striking paragraphs (2), (3), and (5) and by redesign-  
10   ating paragraphs (4), (6), (7), and (8) as para-  
11   graphs (2), (3), (4), and (5), respectively.

12             (2) Section 223(b)(2) of such Code (as redesi-  
13   gnated by paragraph (1)) is amended by striking the  
14   last sentence.

15             (3) Section 223(b)(4) of such Code (as redesi-  
16   gnated by paragraph (1)) is amended to read as fol-  
17   lows:

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

21                     “(A) in the case of the first taxable year  
22     in which such individual is entitled to benefits  
23     under title XVIII of the Social Security Act, be  
24     the amount which bears the same proportion to  
25     the amount in effect under paragraph (1) with  
26     respect to such individual as—

1                         “(i) the number of months in the tax-  
2                         able year during which such individual was  
3                         not so entitled, bears to

4                         “(ii) 12, and

5                         “(B) be zero for any taxable year there-  
6                         after.”.

7                         (4) Section 223(g)(1) of such Code is amend-  
8                         ed—

9                         (A) in the matter preceding subparagraph  
10                         (A) by striking “Each dollar amount in sub-  
11                         section (b)(2)” and inserting “In the case of  
12                         taxable years beginning after December 31,  
13                         2019, the dollar amount in subsection (b)(1)”;  
14                         and

15                         (B) by amending subparagraph (B) to read  
16                         as follows:

17                         “(B) the cost-of-living adjustment deter-  
18                         mined under section 1(f)(3) for the calendar  
19                         year in which such taxable year begins deter-  
20                         mined by substituting ‘calendar year 2018’ for  
21                         ‘calendar year 2016’ in subparagraph (A)(ii)  
22                         thereof.”.

23                         (c) EFFECTIVE DATE.—The amendments made by  
24                         this section shall apply to taxable years beginning after  
25                         December 31, 2019.

**1 SEC. 3. PARITY WITH EMPLOYER-PROVIDED HEALTH IN-**

**2 SURANCE; DIRECT PRIMARY CARE.**

3       (a) IN GENERAL.—Section 223(d)(2) of the Internal  
4 Revenue Code of 1986 is amended to read as follows:

5                   “(2) QUALIFIED MEDICAL EXPENSES.—

6                 “(A) IN GENERAL.—The term ‘qualified  
7                 medical expenses’ means, with respect to an ac-  
8                 count beneficiary, amounts paid by such bene-  
9                 ficiary for medical care (as defined in section  
10                 213(d)) for such individual, the spouse of such  
11                 individual, and any dependent (as defined in  
12                 section 152, determined without regard to sub-  
13                 sections (b)(1), (b)(2), and (d)(1)(B) thereof)  
14                 of such individual, but only to the extent such  
15                 amounts are not compensated for by insurance  
16                 or otherwise.

17                   “(B) DIRECT PRIMARY CARE.—

18                             “(i) IN GENERAL.—Such term in-  
19                             cludes expenses for direct primary care  
20                             service arrangements.

“(ii) DIRECT PRIMARY CARE SERVICE ARRANGEMENTS.—For purposes of clause (i), the term ‘direct primary care service arrangements’ means an arrangement under which an individual is provided coverage restricted to primary care services in

1                   exchange for a fixed periodic fee or pay-  
2                   ment for primary care services.”.

3         (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2019.

6 **SEC. 4. FREEDOM FROM MANDATE.**

7         (a) IN GENERAL.—Section 223 of the Internal Rev-  
8 enue Code of 1986, as amended by sections 2 and 3, is  
9 amended by striking subsection (c) and redesignating sub-  
10 sections (d) through (h) as subsections (c) through (g),  
11 respectively.

12         (b) CONFORMING AMENDMENTS.—

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

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

20                 (2) Subsection (b) of section 223 of such Code  
21 (as amended by section 2) is amended by striking  
22 paragraph (5).

23                 (3) Section 223(c)(1)(A) of such Code (as re-  
24 designated by subsection (a)) is amended—

3 (B) in clause (ii) by striking “the sum of—  
4 ” and all that follows and inserting “the dollar  
5 amount in effect under subsection (b)(1).”.

10                         (5) Section 26(b)(2)(U) of such Code is amend-  
11                         ed by striking “section 223(f)(4)” and inserting  
12                         “section 223(e)(4)”.

17                   (7) Section 106(d)(1) of such Code is amend-  
18                   ed—

(A) by striking “who is an eligible individual (as defined in section 223(c)(1))”; and

(B) by striking “section 223(d)” and inserting “section 223(c)”.

1                             (A) in subparagraph (A) by striking “who  
2                             is an eligible individual (as defined in section  
3                             223(c)) and”; and

4                             (B) in subparagraph (C) by striking “com-  
5                             puted on the basis of the type of coverage under  
6                             the high deductible health plan covering the in-  
7                             dividual at the time of the qualified HSA fund-  
8                             ing distribution”.

9                             (9) Section 877A(g)(6) of such Code is amend-  
10                          ed by striking “223(f)(4)” and inserting  
11                          “223(e)(4)”.

12                          (10) Section 4973(g) of such Code is amend-  
13                          ed—

14                          (A) by striking “section 223(d)” and in-  
15                          serting “section 223(c)”;

16                          (B) in paragraph (2), by striking “section  
17                          223(f)(2)” and inserting “section 223(e)(2)”;  
18                          and

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

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

22                          (A) in subsection (c)(6)—

23                          (i) by striking “section 223(d)” and  
24                          inserting “section 223(c)”; and

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

9           (c) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 2019.

12 SEC. 5. RESTORING LOWER PENALTY FOR NONQUALIFIED  
13 DISTRIBUTIONS.

14       (a) HSAs.—Section 223(e)(4)(A) of the Internal  
15 Revenue Code of 1986, as amended by section 4, is  
16 amended by striking “20 percent” and inserting “10 per-  
17 cent”.

18       (b) EFFECTIVE DATE.—The amendment made by  
19 this section shall apply to distributions made in taxable  
20 years beginning after December 31, 2019.

