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.

IN THE HOUSE OF REPRESENTATIVES

Mr. GALLAGHER introduced the following bill; which was referred to the Committee on ________________________

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 Representatives of the United States of America in Congress assembled,

2 SECTION 1. SHORT TITLE.

3 This Act may be cited as the “Health Savings Account Expansion Act of 2019”.

SEC. 2. ADEQUATE FUNDS FOR HEALTH INSURANCE PLANS.

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

(b) CONFORMING AMENDMENTS.—

(1) Subsection (b) of such Code is amended by striking paragraphs (2), (3), and (5) and by redesignating paragraphs (4), (6), (7), and (8) as paragraphs (2), (3), (4), and (5), respectively.

(2) Section 223(b)(2) of such Code (as redesignated by paragraph (1)) is amended by striking the last sentence.

(3) Section 223(b)(4) of such Code (as redesignated by paragraph (1)) is amended to read as follows:

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

“(A) in the case of the first taxable year in which such individual is entitled to benefits under title XVIII of the Social Security Act, be the amount which bears the same proportion to the amount in effect under paragraph (1) with respect to such individual as—
“(i) the number of months in the taxable year during which such individual was not so entitled, bears to
“(ii) 12, and
“(B) be zero for any taxable year thereafter.”.

(4) Section 223(g)(1) of such Code is amended—

(A) in the matter preceding subparagraph (A) by striking “Each dollar amount in subsection (b)(2)” and inserting “In the case of taxable years beginning after December 31, 2019, the dollar amount in subsection (b)(1)”, and

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

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins determined by substituting ‘calendar year 2018’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.
SEC. 3. PARITY WITH EMPLOYER-PROVIDED HEALTH INSURANCE; DIRECT PRIMARY CARE.

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

“(2) QUALIFIED MEDICAL EXPENSES.—

“(A) IN GENERAL.—The term ‘qualified medical expenses’ means, with respect to an account beneficiary, amounts paid by such beneficiary for medical care (as defined in section 213(d)) for such individual, the spouse of such individual, and any dependent (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of such individual, but only to the extent such amounts are not compensated for by insurance or otherwise.

“(B) DIRECT PRIMARY CARE.—

“(i) IN GENERAL.—Such term includes expenses for direct primary care 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...
exchange for a fixed periodic fee or payment for primary care services.”.

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

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

(a) **IN GENERAL.**—Section 223 of the Internal Revenue Code of 1986, as amended by sections 2 and 3, is amended by striking subsection (c) and redesignating subsections (d) through (h) as subsections (c) through (g), respectively.

(b) **CONFORMING AMENDMENTS.**—

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

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

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

(3) Section 223(c)(1)(A) of such Code (as redesignated by subsection (a)) is amended—
(A) by striking “subsection (f)(5)” and inserting “subsection (e)(5)”, and

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

(4) Section 223(f)(1) of such Code (as redesignated by subsection (a)) is amended by striking “subsections (b)(1) and (c)(2)(A)” and inserting “subsection (b)(1)”.

(5) Section 26(b)(2)(U) of such Code is amended by striking “section 223(f)(4)” and inserting “section 223(e)(4)”.

(6) Sections 35(g)(3), 220(f)(5)(A), 848(e)(1)(v), 4973(a)(5), and 6051(a)(12) of such Code are each amended by striking “section 223(d)” each place it appears and inserting “section 223(e)”.

(7) Section 106(d)(1) of such Code is amended—

(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(e)”.

(8) Section 408(d)(9) of such Code is amended—
(A) in subparagraph (A) by striking “who is an eligible individual (as defined in section 223(c)) and”, and

(B) in subparagraph (C) by striking “computed on the basis of the type of coverage under the high deductible health plan covering the individual at the time of the qualified HSA funding distribution”.

(9) Section 877A(g)(6) of such Code is amended by striking “223(f)(4)” and inserting “223(e)(4)”.

(10) Section 4973(g) of such Code is amended—

(A) by striking “section 223(d)” and inserting “section 223(c)”;

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

and

(C) by striking “section 223(f)(3)” and inserting “section 223(e)(3)”.

(11) Section 4975 of such Code is amended—

(A) in subsection (c)(6)—

(i) by striking “section 223(d)” and inserting “section 223(c)”,
(ii) by striking “section 223(e)(2)” and inserting “section 223(d)(2)”, and

(B) in subsection (e)(1)(E), by striking “section 223(d)” and inserting “section 223(c)”.

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

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

SEC. 5. RESTORING LOWER PENALTY FOR NONQUALIFIED DISTRIBUTIONS.

(a) HSAS.—Section 223(e)(4)(A) of the Internal Revenue Code of 1986, as amended by section 4, is amended by striking “20 percent” and inserting “10 percent”.

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