

118TH CONGRESS
1ST SESSION

H. R. 5317

To amend the Internal Revenue Code of 1986 to allow distributions from a health flexible spending arrangement or health reimbursement arrangement directly to a health savings account in connection with establishing coverage under a high deductible health plan.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 29, 2023

Mrs. STEEL (for herself, Ms. MANNING, and Mr. CRENSHAW) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow distributions from a health flexible spending arrangement or health reimbursement arrangement directly to a health savings account in connection with establishing coverage under a high deductible health plan.

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. FSA AND HRA TERMINATIONS OR CONVER-**
4 **SIONS TO FUND HSAs.**

5 (a) IN GENERAL.—Section 106(e)(2) of the Internal
6 Revenue Code of 1986 is amended to read as follows:

1 “(2) QUALIFIED HSA DISTRIBUTION.—For pur-
2 poses of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 HSA distribution’ means, with respect to any
5 employee, a distribution from a health flexible
6 spending arrangement or health reimbursement
7 arrangement of such employee directly to a
8 health savings account of such employee if—

9 “(i) such distribution is made in con-
10 nection with such employee establishing
11 coverage under a high deductible health
12 plan (as defined in section 223(c)(2)) after
13 a significant period of not having such cov-
14 erage, and

15 “(ii) such arrangement is described in
16 section 223(c)(1)(B)(iii) with respect to
17 the portion of the plan year after such dis-
18 tribution is made.

19 “(B) DOLLAR LIMITATION.—The aggre-
20 gate amount of distributions from health flexi-
21 ble spending arrangements and health reim-
22 bursement arrangements of any employee which
23 may be treated as qualified HSA distributions
24 in connection with an establishment of coverage
25 described in subparagraph (A)(i) shall not ex-

1 ceed the dollar amount in effect under section
2 125(i)(1) (twice such amount in the case of cov-
3 erage which is described in section
4 223(b)(2)(B)).”.

5 (b) PARTIAL REDUCTION OF LIMITATION ON DE-
6 DUCTIBLE HSA CONTRIBUTIONS.—Section 223(b)(4) of
7 such Code is amended by striking “and” at the end of
8 subparagraph (B), by striking the period at the end of
9 subparagraph (C) and inserting “, and”, and by inserting
10 after subparagraph (C) the following new subparagraph:

11 “(D) so much of any qualified HSA dis-
12 tribution (as defined in section 106(e)(2)) made
13 to a health savings account of such individual
14 during the taxable year as does not exceed the
15 aggregate increases in the balance of the ar-
16 rangement from which such distribution is
17 made which occur during the portion of the
18 plan year which precedes such distribution
19 (other than any balance carried over to such
20 plan year and determined without regard to any
21 decrease in such balance during such portion of
22 the plan year).”.

23 (c) CONVERSION TO HSA-COMPATIBLE ARRANGE-
24 MENT FOR REMAINDER OF PLAN YEAR.—Section

1 223(c)(1)(B)(iii) of such Code is amended to read as fol-
2 lows:

3 “(iii) coverage under a health flexible
4 spending arrangement or health reimburse-
5 ment arrangement for the portion of the
6 plan year after a qualified HSA distribu-
7 tion (as defined in section 106(e)(2) deter-
8 mined without regard to subparagraph
9 (A)(ii) thereof) is made, if the terms of
10 such arrangement which apply for such
11 portion of the plan year are such that, if
12 such terms applied for the entire plan
13 year, then such arrangement would not be
14 taken into account under subparagraph
15 (A)(ii) of this paragraph for such plan
16 year.”.

17 (d) INCLUSION OF QUALIFIED HSA DISTRIBUTIONS
18 ON W-2.—

19 (1) IN GENERAL.—Section 6051(a) of such
20 Code is amended by striking “and” at the end of
21 paragraph (16), by striking the period at the end of
22 paragraph (17) and inserting “, and”, and by insert-
23 ing after paragraph (17) the following new para-
24 graph:

1 “(18) the amount of any qualified HSA dis-
2 tribution (as defined in section 106(e)(2)) with re-
3 spect to such employee.”.

4 (2) CONFORMING AMENDMENT.—Section
5 6051(a)(12) of such Code is amended by inserting
6 “(other than any qualified HSA distribution, as de-
7 fined in section 106(e)(2))” before the comma at the
8 end.

9 (e) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to distributions made after Decem-
11 ber 31, 2023, in taxable years ending after such date.

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