

116TH CONGRESS  
1ST SESSION

# S. 2440

To amend the Internal Revenue Code of 1986 to expand permissible distributions from an employee's health flexible spending account or health reimbursement arrangement to their health savings account.

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## IN THE SENATE OF THE UNITED STATES

AUGUST 1, 2019

Mr. SASSE introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to expand permissible distributions from an employee's health flexible spending account or health reimbursement arrangement to their health savings account.

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 “Qualified Health Sav-  
5 ings Account Distribution Act of 2019”.

1 **SEC. 2. FSA AND HRA TERMINATIONS OR CONVERSIONS TO**  
2 **FUND HSAS.**

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

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

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

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

19 “(ii) such arrangement is described in  
20 section 223(c)(1)(B)(iii) with respect to  
21 the portion of the plan year after such dis-  
22 tribution is made.

23 “(B) DOLLAR LIMITATION.—The aggre-  
24 gate amount of distributions from health flexi-  
25 ble spending arrangements and health reim-  
26 bursement arrangements of any employee which

1 may be treated as qualified HSA distributions  
2 in connection with an establishment of coverage  
3 described in subparagraph (A)(i) shall not ex-  
4 ceed an amount equal to the sum of—

5 “(i) the dollar amount in effect under  
6 section 125(i)(1) (twice such amount in  
7 the case of coverage which is described in  
8 section 223(b)(2)(B)), plus

9 “(ii) an amount equal to the max-  
10 imum unused amounts remaining at the  
11 end of a plan year in a health flexible  
12 spending arrangement which are permitted  
13 to be paid or reimbursed to plan partici-  
14 pants for qualified medical expenses in-  
15 curred during the following plan year, as  
16 provided in Internal Revenue Service No-  
17 tice 2013–71 (as in effect on the date of  
18 the enactment of the Qualified Health Sav-  
19 ings Account Distribution Act of 2019).”.

20 (b) CONVERSION TO HSA-COMPATIBLE ARRANGE-  
21 MENT FOR REMAINDER OF PLAN YEAR.—Section  
22 223(c)(1)(B)(iii) of such Code is amended to read as fol-  
23 lows:

24 “(iii) coverage under a health flexible  
25 spending arrangement or health reimburse-

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

13          (c) INCLUSION OF QUALIFIED HSA DISTRIBUTIONS  
 14          ON W-2.—

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

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

24           (2) CONFORMING AMENDMENT.—Section  
 25          6051(a)(12) of such Code is amended by inserting

1 “(other than any qualified HSA distribution, as de-  
2 fined in section 106(e)(2))” before the comma at the  
3 end.

4 (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to distributions made after Decem-  
6 ber 31, 2019, in taxable years ending after such date.

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