

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 107 Session of
2005

INTRODUCED BY PAYNE, BALDWIN, BASTIAN, BIRMELIN, BOYD, BROWNE,
BUNT, CAPPELLI, CAUSER, CRAHALLA, CREIGHTON, DALEY, DALLY,
DENLINGER, ELLIS, FAIRCHILD, FLEAGLE, GILLESPIE, GINGRICH,
HARHART, HARPER, HARRIS, HENNESSEY, HERMAN, HUTCHINSON,
JAMES, KILLION, LEH, MAHER, MAITLAND, MAJOR, S. MILLER,
RAYMOND, READSHAW, REICHLEY, SATHER, SCAVELLO, SCHRODER,
T. STEVENSON, TIGUE, TURZAI, WATSON, WILT AND YUDICHAK,
JANUARY 25, 2005

REFERRED TO COMMITTEE ON INSURANCE, JANUARY 25, 2005

AN ACT

1 Authorizing the establishment and maintenance of health savings
2 accounts; providing an exclusion from State income tax; and
3 imposing restrictions on health savings accounts.

4 The General Assembly of the Commonwealth of Pennsylvania
5 hereby enacts as follows:

6 Section 1. Short title.

7 This act shall be known and may be cited as the Health
8 Savings Account Act.

9 Section 2. Legislative intent.

10 It is the intent of the General Assembly to extend to health
11 savings accounts established pursuant to section 223 of the
12 Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. §
13 223) an exclusion from State income tax.

14 Section 3. Definitions.

15 The following words and phrases when used in this act shall

1 have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 "Health insurance policy." An individual or group health,
4 sickness or accident policy or subscriber contract or
5 certificate issued by an entity subject to any one of the
6 following:

7 (1) The act of May 17, 1921 (P.L.682, No.284), known as
8 The Insurance Company Law of 1921.

9 (2) The act of December 29, 1972 (P.L.1701, No.364),
10 known as the Health Maintenance Organization Act.

11 (3) The act of May 18, 1976 (P.L.123, No.54), known as
12 the Individual Accident and Sickness Insurance Minimum
13 Standards Act.

14 (4) 40 Pa.C.S. Ch. 61 (relating to hospital plan
15 corporations) or 63 (relating to professional health services
16 plan corporations).

17 "Health savings account." As defined in section 223(d) of
18 the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C.
19 § 223(d)).

20 "Qualified medical expenses." As defined in section 223(d)
21 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
22 U.S.C. § 223(d)).

23 Section 4. State income tax exclusion.

24 (a) General rule.--Any increase in the value of a health
25 savings account, any payment or distribution from a health
26 savings account that is used exclusively to pay qualified
27 medical expenses and money reimbursed to an account holder or an
28 employee for qualified health expenses shall be excluded from
29 taxation under Article III of the act of March 4, 1971 (P.L.6,
30 No.2), known as the Tax Reform Code of 1971.

1 (b) Nonqualified payments or distributions.--A payment or
2 distribution from a health savings account that is used for any
3 purpose other than to pay qualified medical expenses shall be
4 included in income under Article III of the Tax Reform Code of
5 1971 to the extent that the amounts paid or distributed were not
6 previously included in income. The cost recovery method shall be
7 used to determine the portion of the payment or distribution to
8 be included in income.

9 Section 5. Mandated benefits.

10 (a) General rule.--A health insurance policy that would
11 qualify as a high deductible health plan under section 223(c)(2)
12 of the Internal Revenue Code of 1986 (Public Law 99-514, 26
13 U.S.C. § 223(c)(2)) shall be subject to any provision of law
14 mandating a minimum health insurance benefit or reimbursement.

15 (b) Construction.--Nothing in this act shall be construed to
16 prohibit or prevent a health insurance policy that would qualify
17 as a high deductible health plan under section 223(c)(2) of the
18 Internal Revenue Code of 1986 from applying deductibles or
19 copayments to benefits offered under these mandated minimum
20 health insurance benefits.

21 Section 6. Applicability.

22 Section 4 shall apply to taxable years beginning after
23 December 31, 2004.

24 Section 7. Effective date.

25 This act shall take effect in 60 days.