

117TH CONGRESS
1ST SESSION

S. 2113

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.

IN THE SENATE OF THE UNITED STATES

JUNE 17, 2021

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

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 2021”.

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 2021).”.

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, 2021, in taxable years ending after such date.

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