I

119TH CONGRESS
1ST SESSION

H. R. 955

To amend the Internal Revenue Code of 1986 to reform health provisions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 2025

Mr. MOORE of Utah (for himself, Mr. PANETTA, Mr. FITZPATRICK, Mr. SCHNEIDER, Mr. SMITH of Nebraska, Mr. RUIZ, Mr. VALADAO, Mrs. DINGELL, Mr. MOOLENAAR, and Mr. DAVIS of North Carolina) introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to reform health provisions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Health Out-of-Pocket Expense Act of 2025" or the "HOPE Act of 2025".

SEC. 2. HOPE ACCOUNTS.

(a) ACCOUNTS ESTABLISHED.—

(1) IN GENERAL.—Part VIII of subchapter F of chapter 1 of the Internal Revenue Code of 1986

is amended by adding at the end the following new section:

"SEC. 530A. HOPE ACCOUNTS.

''(a) IN GENERAL.—A HOPE Account shall be exempt from taxation under this subtitle. Notwithstanding the preceding sentence, the Hope Account shall be subject to the taxes imposed by section 511 (relating to the imposition of tax on unrelated business income of charitable organizations).

''(b) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) HOPE ACCOUNT.—The term 'HOPE Account' means a trust created or organized in the United States as a HOPE Account exclusively for the purpose of paying the qualified medical expenses of the account beneficiary, but only if the written governing instrument creating the trust meets the following requirements:

''(A) Except in the case of a rollover contribution described in subsection (d)(4) of this section, no contribution will be accepted—

''(i) unless it is in cash, or

''(ii) to the extent such contribution, when added to previous contributions to the trust for the calendar year, exceeds the contribution limitations in subsection (c).

"(B) The trustee is a bank (as defined in section 408(n)), an insurance company (as defined in section 816), or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

"(C) No part of the trust assets will be invested in life insurance contracts.

"(D) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

"(E) The interest of an individual in the balance in the individual's account is nonforfeitable.

"(F) No more than reasonable fees are paid in connection with the administration of the account.

"(G) The trust includes procedures for the trustee to reasonably assure that distributions are limited to payment or reimbursement for qualified medical expenses incurred after the establishment of the trust. Procedures shall be considered reasonable that meet the substantiation requirements contained in Proposed Treasury Regulation section 1.125–6 (as in effect on January 1, 2025) or under any superseding guidance prescribed by the Secretary.

''(H) The trust follows all reporting requirements as may be prescribed by the Secretary with respect to distributions that are not substantiated as qualified medical expenses pursuant to this section.

''(I) The trust follows any other guidance with respect to HOPE Accounts prescribed by the Secretary.

''(J) Except as provided in subsection (d)(2)(B), amounts held by the trust may not be distributable other than exclusively to pay the qualified medical expenses of the account beneficiary, spouse or dependents.

''(K) The trust reports all contributions on Form 5498–A, or such other form as is required by the Secretary. The trust annually must also—

''(i) request each account owner to provide the trust with the amount if any, the account owner contributed to an FSA for the year, and

"(ii) report such amount on Form 5498–A or such other form as is required by the Secretary.

"(2) ELIGIBLE INDIVIDUAL.—

"(A) IN GENERAL.—The term 'eligible individual' means, with respect to any month, any individual if for such month such individual meets the requirements of subparagraphs (B) and (C).

"(B) COVERAGE REQUIREMENT.—An individual meets the requirements of this subparagraph for a month if such individual is covered under one of the following types of coverage as of the 1st day of such month:

"(i) Minimum essential coverage (as defined in section 5000A(f)).

"(ii) With respect to members of federally recognized American Indian and Alaska Native Tribes and their descendants, the Indian Health Service.

"(C) OTHER COVERAGE.—

"(i) IN GENERAL.—An individual meets the requirements of this subparagraph for a month if during such month no amounts are contributed by or on behalf of the individual to any of the following accounts of such individual:

"(I) A health flexible spending arrangement.

"(II) A health savings account (as defined in section 223(d)).

"(III) A health reimbursement arrangement which is treated as employer-provided coverage under an accident or health plan for purposes of section 106.

"(IV) An Archer MSA (as defined in section 220(d)).

"(ii) EXCEPTION FOR CERTAIN DISREGARDED COVERAGE.—Clause (i) shall not apply in the case of an account described therein if for the month such account constitutes coverage described in section 223(c)(1)(B).

"(3) QUALIFIED MEDICAL EXPENSES.—The term 'qualified medical expenses' has the meaning given such term in section 223(d)(2).

“(4) ACCOUNT BENEFICIARY.—The term ‘account beneficiary’ means the individual on whose behalf the HOPE Account was established.

“(5) ACCOUNT TERMINATIONS.—Rules similar to the rules of paragraphs (2) and (4) of section 408(e) shall apply to HOPE Accounts, and any amount treated as distributed under such rules shall be treated as not used to pay qualified medical expenses.

“(6) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

“(A) Section 219(f)(3) (relating to time when contributions deemed made).

“(B) Except as provided in section 106(h), section 219(f)(5) (relating to employer payments).

“(C) Section 408(g) (relating to community property laws).

“(D) Section 408(h) (relating to custodial accounts).

“(E) Section 223(f)(7) (relating to transfer of account incident of divorce).

“(F) Section 223(f)(8) (relating to treatment after death of account beneficiary).

"(c) CONTRIBUTION LIMITATIONS.—

"(1) IN GENERAL.—The aggregate amount of contributions from all sources to all HOPE Accounts maintained for the benefit of an eligible individual for any taxable year shall not exceed the sum of the monthly limitations for months during such taxable year that the individual is an eligible individual.

"(2) MONTHLY LIMITATION.—The monthly limitation for any month is 1/12 of—

"(A) in the case of an eligible individual who has self-only coverage, or an eligible individual that is married filing separately or married filing jointly that has family coverage, $4,000, or

"(B) in the case of an eligible individual who has family coverage and is head of household, $8,000.

"(3) LIMITATION ON THIRD PARTY CONTRIBUTIONS.—A trust shall not be treated as a Hope Account under this section unless the aggregate of contributions on behalf of the individual from all employers of the individual and from any Medicaid program established and administered by a State or subdivision thereof, if approved by the Secretary of Health and Human Services under Section 1115 of the Social Security Act or Section 1332 of the Patient Protection and Affordable Care Act, will not be accepted in excess of 50 percent of the limit with respect to such individual.

"(4) NO DEDUCTION.—No deduction shall be allowed for a contribution made by an eligible individual to a HOPE Account maintained for the benefit of such individual for any taxable year.

"(5) EXCLUSION FROM GROSS INCOME LIMITED.—Any contribution under paragraph (c)(3) to the HOPE account of an individual whose adjusted gross income for the prior taxable year does not exceed $100,000 ($200,000 in the case of a married individual filing a joint return) shall be excluded from the individual's adjusted gross income.

"(6) COORDINATION WITH OTHER CONTRIBUTIONS.—The limitation which would (but for this paragraph) apply under this subsection to an individual for any taxable year shall be reduced (but not below zero) by the sum of—

"(A) the aggregate amount determined with respect to the individual for the taxable year under section 223(b)(4),

"(B) the aggregate amount contributed by the individual to health savings accounts of the individual for such taxable year and not taken into account under subparagraph (A),

"(C) the aggregate amount contributed to a HOPE Account of such individual by the individual's employer, and

"(D) the aggregate amount contributed to a HOPE Account of such individual for such taxable year by a program established and administered by a State or subdivision thereof with respect to converted cost-sharing reduction payments.

"(7) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2026, each dollar amount in paragraph (2) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such taxable year begins determined—

"(i) by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof, and

"(ii) by substituting 'March 31' for 'August 31' in section 1(f)(4).

The Secretary shall publish the adjusted amounts under paragraph (2) for taxable years beginning in any calendar year no later than June 1 of the preceding calendar year. If any increase under this paragraph is not a multiple of $50, such increase shall be rounded to the nearest multiple of $50.

"(d) TAX TREATMENT OF DISTRIBUTIONS.—

"(1) AMOUNTS USED FOR QUALIFIED MEDICAL EXPENSES.—Any amount paid or distributed out of a HOPE Account which is used exclusively to pay qualified medical expenses of any account beneficiary shall not be includible in gross income.

"(2) DISTRIBUTION AND TAXATION OF AMOUNTS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), no amount may be paid or distributed out of a HOPE Account which is not used exclusively to pay the qualified medical expenses of the account beneficiary.

"(B) EXCEPTION FOR CERTAIN DISTRIBUTIONS.—An amount may be paid or distributed out of a HOPE Account which is not used exclusively to pay the qualified medical expenses of the account beneficiary if such distribution is reported to the Secretary pursuant to such regulations or other guidance the Secretary may prescribe, and the distribution is—

"(i) made to an account beneficiary (or to the estate of the account beneficiary) on or after the death of the individual, or

"(ii) attributable to the account beneficiary being disabled (within the meaning of section 72(m)(7)).

"(C) TAXATION OF DISTRIBUTIONS NOT USED FOR QUALIFIED MEDICAL EXPENSES.—

"(i) IN GENERAL.—Any amount paid or distributed out of a HOPE Account which is not used exclusively to pay qualified medical expenses of any account beneficiary shall be includible in gross income, except to the extent such distribution is allocable to amounts described in subparagraph (D)(iii).

"(ii) ADDITIONAL TAX.—The tax imposed by this chapter on the account beneficiary for any taxable year in which there is a payment or distribution from a HOPE

Account of such beneficiary which is includible in gross income under clause (i) shall be increased by 30 percent of the amount which is so includible.

"(D) ORDERING OF DISTRIBUTIONS.—Any distributions out of a HOPE Account pursuant to subparagraph (B) shall be treated as made from amounts to the extent that the amount of such distribution, when added to all previous distributions from the HOPE Account, does not exceed the aggregate of such amount, and from such amounts pursuant to the following ordering rules:

"(i) from earnings, if any, on such amounts described in clauses (ii) and (iii),

"(ii) from contributions described in subsection (c)(3),

"(iii) from contributions by an eligible individual to the HOPE Account, and

"(iv) from rollover contributions to the HOPE Account from another HOPE Account allocable to contributions by an eligible individual to such other HOPE Account, on a first-in, first-out basis.

"(3) EXCESS CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—

"(A) IN GENERAL.—If any excess contribution is contributed for a taxable year to any HOPE Account of an individual, paragraph (2) shall not apply to distributions from the HOPE Accounts of such individual (to the extent such distributions do not exceed the aggregate excess contributions to all such accounts of such individual for such year) if—

"(i) such distribution is received by the individual on or before the last day prescribed by law (including extensions of time) for filing such individual's return for such taxable year, and

"(ii) such distribution is accompanied by the amount of net income attributable to such excess contribution.

Any net income described in clause (ii) shall be included in the gross income of the individual for the taxable year in which it is received.

"(B) EXCESS CONTRIBUTION.—For purposes of subparagraph (A), the term 'excess contribution' means any contribution (other than a rollover contribution described in paragraph (4)) which is neither excludable from gross income under section 106(h) nor allowable under this section.

"(4) ROLLOVER CONTRIBUTION.—An amount is described in this paragraph as a rollover contribution if it meets the requirements of subparagraphs (A) and (B).

"(A) IN GENERAL.—Paragraph (2) shall not apply to any amount paid or distributed from a HOPE Account to the account beneficiary to the extent the amount received is paid into a HOPE Account for the benefit of such beneficiary, the beneficiary's spouse or the beneficiary's dependent not later than the 60th day after the day on which the beneficiary receives the payment or distribution.

"(B) LIMITATION.—This paragraph shall not apply to any amount described in subparagraph (A) received by an individual from a HOPE Account if, at any time during the 1-year period ending on the day of such receipt, such individual received any other amount described in subparagraph (A) from a HOPE Account which was not includible in the individual's gross income because of the application of this paragraph.

"(C) DEPENDENT.—The term dependent means any individual with respect to whom a deduction under section 151 is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

"(5) COORDINATION WITH MEDICAL EXPENSE DEDUCTION.—For purposes of determining the amount of the deduction under section 213, any payment or distribution out of a HOPE Account for qualified medical expenses shall not be treated as an expense paid for medical care.

"(e) REPORTS.—The Secretary shall require the trustee of a HOPE Account to make such reports regarding such account to the Secretary and to the account beneficiary with respect to contributions, distributions, the return of excess contributions, and such other matters as the Secretary determines appropriate. The trustee shall include in each such report an accounting of the amount contributed by the account beneficiary, and may, if necessary to determine such amount, request such information from the account beneficiary.".

(2) CLERICAL AMENDMENT.—The table of sections for part VIII of subchapter F of chapter 1 of such Code is amended by adding at the end the following new item:

"Sec. 530A. HOPE Accounts.".

(b) EXCESS CONTRIBUTIONS.—

(1) IN GENERAL.—Section 4973(a) of such Code is amended by striking "or" at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting ", and", and by inserting after paragraph (6) (as so amended) the following new paragraph:

"(7) A HOPE Account (as defined in section 530A(b)).".

(2) EXCESS CONTRIBUTIONS DEFINED.—Section 4973 of such Code is amended by adding at the end the following new subsection:

"(i) EXCESS CONTRIBUTIONS TO HOPE ACCOUNT.—

"(1) IN GENERAL.—For purposes of this section, in the case of HOPE Accounts (within the meaning of section 530A(b)), the term "excess contributions" means the sum of—

"(A) The aggregate amount contributed for the taxable year to the accounts (other than a rollover contribution described in section

530A(d)(4)) which exceeds the contributions limits under section 530A(c), and

"(B) the amount determined under this subsection for the preceding taxable year, reduced by the sum of—

"(i) the distributions out of the accounts which were included in gross income under section 530A(d)(2)(C), and

"(ii) the excess (if any) of—

"(I) the maximum amount of allowable contributions under 530A(c) for the taxable year, over

"(II) the amount contributed to the accounts for the taxable year.

"(2) RETURNED EXCESS CONTRIBUTIONS.—For purposes of this subsection, any contribution which is distributed out of the HOPE Account in a distribution to which section 530A(d)(2)(C) applies shall be treated as an amount not contributed.".

(c) EMPLOYER CONTRIBUTIONS.—

(1) IN GENERAL.—Section 106 of such Code is amended by adding at the end the following new subsection:

"(h) CONTRIBUTIONS TO HOPE ACCOUNTS.—

"(1) IN GENERAL.—In the case of an employee who is an eligible individual, amounts contributed by such employee's employer to any HOPE account (as defined in section 530A(b)) of such employee shall be treated as employer-provided coverage for medical expenses under an accident or health plan to the extent such amounts do not exceed the limitations applicable to such individual for such taxable year under section 530A(c) (determined without regard to this subsection).

"(2) LIMITATION.—Paragraph (1) shall not apply in the case of a taxpayer whose adjusted gross income for the taxable year exceeds $100,000 ($200,000 in the case of a joint return).

"(3) SPECIAL RULES.—Rules similar to the rules of paragraphs (2), (3), (4), and (5) of subsection (b) shall apply for purposes of this subsection.

"(4) CROSS REFERENCE.—For penalty on failure by employer to make comparable contributions to the health savings accounts of comparable employees, see section 4980G.".

(2) INFORMATION REPORTING FOR EMPLOYEES.—Section 6051(a) is amended by striking "and" at the end of paragraph (16), by striking the

period at the end of paragraph (17) and inserting ", and", and by inserting after paragraph (17) (as so amended) the following new paragraph:

"(18) the amount contributed to any HOPE Account (as defined in section 530A(b)) of such employee.".

(3) CONFORMING AMENDMENT RELATING TO CAFETERIA PLANS.—Section 125(f)(1) of such Code is amended by inserting "106(h)," after "106(b),".

(d) FAILURE OF EMPLOYER TO MAKE COMPARABLE HOPE ACCOUNT CONTRIBUTIONS.—

(1) IN GENERAL.—Section 4980G(a) of such Code is amended by inserting "or HOPE Account" after "health savings account".

(2) CONFORMING AMENDMENTS.—

(A) Section 4980G(c) of such Code is amended by striking "and health savings accounts" and inserting ", health savings accounts, or HOPE Accounts".

(B) Section 4980G(d) of such Code is amended by inserting "or HOPE Account" after "health savings account".

(C) The heading for section 4980G of such Code is amended by inserting "**OR HOPE AC-**

COUNT'' after ''**HEALTH SAVINGS ACCOUNT**''.

(D) The table of sections for chapter 43 of such Code is amended by striking the item relating to section 4980G and inserting the following new item:

''Sec. 4980G. Failure of employer to make comparable health savings account or HOPE Account contributions.''.

(e) APPLICATION OF PROHIBITED TRANSACTION RULES.—

(1) IN GENERAL.—Section 4975(e)(1) of such Code is amended by striking ''or'' at the end of subparagraph (F), by redesignating subparagraph (G) as subparagraph (H), and by inserting after subparagraph (F), as so amended, the following new subparagraph:

''(G) a HOPE Account described in section 530A(b), or''.

(f) FAILURE TO REPORT.—Section 6693(a)(2) of such Code is amended by striking ''and'' at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting '', and'', and by inserting after subparagraph (F) (as so amended) the following new subparagraph:

''(G) Section 530A(e) (relating to HOPE Accounts).''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2025.

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