CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 4, 2012

H.R. 5858
Health Savings Accounts Improvements Act of 2012

As ordered reported by the House Committee on Ways and Means on May 31, 2012

SUMMARY

H.R. 5858 would make several changes to the tax treatment of health savings accounts (HSAs). The staff of the Joint Committee on Taxation (JCT) estimates that these changes together would decrease revenues by $173 million in 2013, about $1.8 billion over the 2013-2017 period, and $4.7 billion over the 2013-2022 period. Pay-as-you-go procedures apply because enacting the legislation would affect revenues.

The bill would allow certain former employees to use HSA contributions for their health insurance expenses, allow spouses to allocate their catch-up contributions between their HSAs, permit certain deductible HSA contributions to be eligible for a saver's tax credit, allow individuals recently receiving veterans benefits for a service-connected disability to make HSA contributions, and allow HSA contributions to pay for certain expenses incurred before the establishment of the account.

JCT has determined that the provisions of H.R. 5858 contain no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the Health Savings Accounts Improvements Act of 2012 is shown in the following table.

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
							CHANGES IN REVENUES						
Distributions by Former Employees	0	-96	-144	-162	-179	-196	-212	-228	-243	-255	-266	-776	-1,981
Spousal Catch-up Contributions	0	-59	-127	-144	-160	-175	-190	-204	-217	-229	-239	-665	-1,745
Saver's Credit Eligibility	0	-3	-29	-39	-44	-54	-56	-64	-70	-73	-75	-169	-507
Veterans' Eligibility	0	-11	-18	-21	-25	-30	-35	-41	-47	-54	-61	-105	-343
Previous Medical Expenses	0	-4	-9	-10	-11	-12	-13	-14	-15	-15	-16	-47	-120
Total Changes	**0**	**-173**	**-327**	**-376**	**-419**	**-467**	**-506**	**-551**	**-592**	**-626**	**-657**	**-1,762**	**-4,696**
On-budget	0	-166	-317	-365	-405	-451	-488	-531	-570	-602	-630	-1,704	-4,527
Off-budget[a]	0	-7	-10	-11	-14	-16	-18	-20	-22	-24	-27	-58	-169

Source: Staff of the Joint Committee on Taxation.

Note: Components may not sum to totals because of rounding.

a. Off-budget revenues result from changes in Social Security payroll tax receipts, which are categorized as off-budget.

BASIS OF ESTIMATE

Under current law, tax-deductible contributions to HSAs generally cannot be used to pay health insurance expenses. H.R. 5858 would allow such use for an HSA account holder between the ages of 55 and 64 who is enrolled in an employer-sponsored health plan as a former employee or a surviving spouse of a former employee. JCT estimates that this proposal would decrease revenues by $96 million in 2013, $776 million over the 2013-2017 period, and about $2.0 billion over the 2013-2022 period. Some of those revenue losses—$53 million over the 2013-2022 period—would be off-budget.

Eligible individuals who are at least age 55 at the end of the taxable year may make catch-up contributions to their HSAs, which are amounts above the normal contribution limits, under current law. H.R. 5858 would permit catch-up contributions from either spouse to be allocable to the HSA of one spouse in the same manner as is allowed for other annual contributions. JCT estimates that this change would decrease revenues by $59 million in 2013, $665 million over the 2013-2017 period, and about $1.7 billion over the 2013-2022 period.

Current law provides a saver's tax credit to individuals who make qualified retirement savings contributions, and whose annual gross income is under certain thresholds. H.R. 5858 would permit tax-deductible contributions to an HSA by such individuals to also be eligible for this saver's credit. The sum of such HSA contributions and qualified retirement savings contributions would still be subject to the current law limit of $2,000. JCT estimates that the provision would result in a revenue loss of $3 million in 2013, $169 million over the 2013-2017 period, and $507 million over the 2013-2022 period.

H.R. 5858 also would allow individuals to remain eligible to make deductible HSA contributions despite recently receiving medical benefits from the Department of Veterans Affairs for a service-connected disability. Under current law, such individuals would not be eligible to make contributions to an HSA if they had received such benefits in the previous three months. JCT estimates that this change would decrease revenues by $11 million in 2013, $105 million over the 2013-2017 period, and $343 million over the 2013-2022 period. Some of those revenue losses—$99 million over the 2013-2022 period—would be off-budget.

H.R. 5858 would allow certain contributions to an HSA to pay for expenses incurred after the taxpayer entered into a high deductible health plan but before the establishment of the account. Under current law, the medical expense must be incurred on or after the date the HSA is established in order to remain eligible for reimbursement. H.R. 5858 would remove this requirement so long as the expense was incurred within 60 days of the date the taxpayer established the HSA. JCT estimates that this provision would decrease revenues by $4 million in 2013, $47 million over the 2013-2017 period, and $120 million over the 2013-2022 period. Some of those revenue losses—$17 million over the 2013-2022 period—would be off-budget.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

CBO Estimate of Pay-As-You-Go Effects for H.R. 5858, as ordered reported by the House Committee on Ways and Means on May 31, 2012

	By Fiscal Year, in Millions of Dollars												
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2012-2017	2012-2022
NET INCREASE OR DECREASE (-) IN THE ON-BUDGET DEFICIT													
Statutory Pay-As-You-Go Impact	0	166	317	365	405	451	488	531	570	602	630	1,704	4,527

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that the provisions of H.R. 5858 contain no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY: Kalyani Parthasarathy

ESTIMATE APPROVED BY:

Frank Sammartino
Assistant Director for Tax Analysis