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## Congress of the United States

JOINT COMMITTEE ON TAXATION  
 1015 LONGWORTH HOUSE OFFICE BUILDING  
 WASHINGTON, DC 20515-6453  
 (202) 225-3621  
<http://www.house.gov/jct>

### MEMORANDUM

SEP 25 2006

**TO:** Janice Mays and John Buckley  
**FROM:** Thomas A. Barthold *T.A.B.*  
**SUBJECT:** H.R. 6134, the "Health Opportunity Patient Empowerment Act of 2006"

This is in response to your memorandum of September 25, 2006, requesting revenue estimates and other information regarding the provisions contained in H.R. 6134, the "Health Opportunity Patient Empowerment Act of 2006."

Section 2 of the H.R. 6134 would allow a one-time rollover of funds in a health reimbursement arrangement ("HRA") or a health flexible spending arrangement ("FSA") to an HSA. The provision is effective for contributions and distributions after the date of enactment, in taxable years beginning before 2012. We estimate that approximately 10,000 individuals would benefit from this provision in each of the years 2007 through 2011. We estimate that the provision would have a negligible effect on insurance coverage and a negligible effect on the number of individuals with HSAs.

Section 3 of the bill would repeal the limitation on HSA contributions that corresponds to the annual deductible under the individual's high-deductible health plan. Thus, the applicable limits on HSA contributions would be the limits in present-law sections 223(b)(2)(A)(ii) for single coverage and 223(b)(2)(B)(ii) for family coverage. The limits for taxable years beginning in calendar year 2006 are \$2,700 for single coverage and \$5,450 for family coverage. The provision would be effective for taxable years beginning after December 31, 2006. We estimate that in calendar year 2016, there will be approximately 15 million individuals with HSAs. Approximately 300,000 of these individuals would be new HSA account holders as a result of the enactment of section 3 of the Chairman's Substitute. However, almost all of these new account holders would have been previously insured. A very small number would have been previously uninsured. All individuals with HSAs will benefit from section 3 of the bill in the sense that they will have the flexibility to make larger deductible HSA contributions. We do not have year-by-year estimates of the number of individuals who would make HSA contributions in excess of the present-law limits on such contributions after enactment of the bill.

Section 4 of the bill would provide that the cost-of-living adjustments for the HSA provisions in the Internal Revenue Code would be computed earlier in the year (March in lieu of August). The provision would be effective for the adjustments made for taxable years beginning

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after 2008. We estimate that this provision would have a negligible effect on insurance coverage and the number of individuals with HSAs.

Section 5 of the bill would increase the HSA contribution limit for individuals who become eligible individuals after the beginning of the calendar year. The provision would be effective for taxable years beginning after December 31, 2006. We estimate that this provision would have a negligible effect on insurance coverage and the number of individuals with HSAs.

Section 6 of the bill would allow a one-time rollover of funds in an individual retirement arrangement ("IRA") to an HSA. The provision would be effective for taxable years beginning after December 31, 2006. We estimate that this provision would have a negligible effect on insurance coverage and the number of individuals with HSAs.

The attached table provides revenue estimates for the provisions in H.R. 6134, with separate estimates of the effects of each provision on income taxes and payroll ("FICA") taxes.

Attachment: Table #06- 1 148

- Committee on Ways and Means -  
 ESTIMATED REVENUE EFFECTS OF H.R. 6134,  
 THE "HEALTH OPPORTUNITY PATIENT EMPOWERMENT ACT OF 2006"

Fiscal Years 2007 - 2016  
 [Millions of Dollars]

Provision	Effective	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017-11	2007-16
1. Allow a one-time rollover of HRA and health FSA funds into a HSA (sunset for taxable years beginning after 12/31/11) [1]:													
a. Income tax effect.....	cada DOE	-2	-4	-4	-4	-5	-2	---	---	---	---	-19	-21
b. FICA tax effect.....	cada DOE	[3]	[3]	[3]	[3]	[3]	[3]	---	---	---	---	[3]	[3]
Subtotal .....		-2	-4	-4	-4	-5	-2	---	---	---	---	-19	-21
2. Repeat the limitation on HSA contributions that corresponds to the annual deductible under the high-deductible insurance policy [2]:													
a. Income tax effect.....	tyba 12/31/06	-6	-12	-19	-21	-26	-36	-49	-86	-128	-145	-84	-528
b. FICA tax effect.....	tyba 12/31/06	-4	-5	-8	-9	-12	-14	-17	-29	-43	-44	-38	-185
Subtotal .....		-10	-17	-27	-30	-38	-50	-66	-115	-170	-190	-121	-712
3. Compute cost-of-living adjustments for HSA provisions earlier in the calendar year (March in lieu of August).....	afya 2008												
4. Allow full deductible contribution for months preceding month that taxpayer is in high deductible plan:													
a. Income tax effect.....	tyba 12/31/06	-11	-29	-33	-36	-37	-37	-35	-33	-28	-22	-147	-302
b. FICA tax effect.....	tyba 12/31/06	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]
Subtotal .....		-11	-29	-33	-36	-37	-37	-35	-33	-28	-22	-147	-302
5. Modify comparability rules so that employers may make larger contributions to HSAs of non-highly compensated employees than to HSAs of highly compensated employees.....	tyba 12/31/06												
6. Allow a one-time rollover of IRA funds to a HSA [4].....	tyba 12/31/06												
NET TOTAL .....		-23	-50	-64	-70	-80	-89	-101	-148	-198	-212	-287	-1,035

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. Date of enactment is assumed to be October 1, 2006.

Legend for "Effective" column:

afya = adjustments for years after  
 cada = contributions and distributions after

DOE = date of enactment

tyba = taxable years beginning after

[1] Rollover may not exceed the balance in the HRA or health FSA on September 21, 2006.

[2] Under the provision, HSA contributions would be permitted up to the statutory limits in present-law sections 223(b)(2)(A)(ii) and (B)(ii) of the Internal Revenue Code, which are presently \$2,700 for single coverage and \$5,450 for family coverage. These limits are indexed for inflation and may change for taxable years beginning in 2007, when the provision would become effective.

[3] Loss of less than \$500,000.

[4] A limit would apply to the sum of: (1) the amount allowed as a deductible contribution to the HSA; and (2) the amount rolled over from the IRA to the HSA. The sum of these two amounts would not be permitted to exceed the otherwise maximum annual deductible contribution.