

House Study Bill 190

Conference Committee Text

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1 1 Section 1. Section [422.7](#), Code 1995, is amended by adding
1 2 the following new subsections:

1 3 NEW SUBSECTION. 32. Subtract up to one thousand eight
1 4 hundred dollars contributed by the individual, the
1 5 individual's employer, or a public agency, in the aggregate to
1 6 a family health account for the individual, or up to four
1 7 thousand two hundred dollars contributed by the individual,
1 8 the individual's employer, or a public agency, in the
1 9 aggregate to a family health account for the individual and
1 10 the individual's spouse and dependents. However, the amount
1 11 to be subtracted shall be reduced, but not below zero, by the
1 12 amount of health insurance premiums paid by the taxpayer's
1 13 employer covering the taxpayer or the taxpayer's spouse or
1 14 dependent which premiums were not subject to state income tax.
1 15 The deduction for contributions to a family health account is
1 16 allowed if the net income is forty thousand dollars or less in
1 17 the case of a married individual, an unmarried head of
1 18 household, or a surviving spouse or the net income is thirty
1 19 thousand dollars or less in the case of all other persons. In
1 20 the case of a married individual, the combined net income of
1 21 both spouses shall be considered.

1 22 NEW SUBSECTION. 33. Subtract to the extent included,
1 23 interest earned in the tax year on a family health account
1 24 unless the interest is withdrawn and not used for any of the
1 25 approved purposes described in section 505.22, subsection 1,
1 26 paragraph "f".

1 27 NEW SUBSECTION. 34. Add to the extent not included,
1 28 amounts withdrawn from a family health account which were not
1 29 used for any of the approved purposes described in section
1 30 505.22, subsection 1, paragraph "f", and which represent tax
1 31 benefits previously taken by the individual.

1 32 Sec. 2. NEW SECTION. 505.22 FAMILY HEALTH ACCOUNT
1 33 AUTHORIZED.

1 34 1. A financial instrument known as the family health
1 35 account is established. A family health account shall have
2 1 all of the following characteristics:

2 2 a. The account is kept in the name of the individual, the
2 3 individual's spouse, or the individual's dependent.

2 4 b. Deposits of up to one thousand eight hundred dollars
2 5 for an individual and four thousand two hundred dollars for an
2 6 individual and the individual's spouse or dependents can be
2 7 made to the family health account in the year.

2 8 c. The account earns income or interest.

2 9 d. In the case of death of an individual with a family
2 10 health account, the balance can be transferred to the account
2 11 of the spouse or dependent or an account can be set up for the
2 12 spouse or dependent. The balance of an individual's family
2 13 health account that transfers to the spouse or dependent at
2 14 the time of death is not subject to the state inheritance tax.

2 15 e. A family health account may be used for any of the
2 16 following purposes and payments from the account are
2 17 restricted to the following:

2 18 (1) To receive subsidies from the state or federal
2 19 government to assure access to health insurance or health
2 20 care.

2 21 (2) To receive contributions from employers and others on

2 22 a tax-exempt basis to the extent otherwise permitted by state
2 23 and federal income tax law.

2 24 (3) To receive deposits of pretax income to provide a
2 25 savings vehicle for future insurance premium, copayment, and
2 26 deductible requirements.

2 27 (4) To accrue interest income on a tax-exempt or tax-
2 28 deferred basis to the extent otherwise permitted by state and
2 29 federal income tax law.

2 30 (5) To purchase a private health plan from an insurer,
2 31 health maintenance organization, or organized delivery system
2 32 authorized to do business in Iowa, either directly or through
2 33 a health insurance purchasing cooperative.

2 34 (6) To participate in an employer-sponsored health benefit
2 35 plan.

3 1 (7) To exercise rights through an employer-sponsored
3 2 health benefit plan provided under the federal Consolidated
3 3 Omnibus Budget Reconciliation Act of 1986.

3 4 (8) To make payments to health care providers necessary to
3 5 satisfy copayment or deductible requirements under a health
3 6 plan.

3 7 (9) To make payments to licensed health care providers.

3 8 (10) To make payments for necessary and appropriate long-
3 9 term care services, and long-term care insurance coverage
3 10 approved by the commissioner.

3 11 f. Amounts withdrawn for any of the following approved
3 12 purposes do not result in income to the holder of a family
3 13 health account:

3 14 Payment of costs identified under paragraph "e",
3 15 subparagraphs (5), (6), (7), (8), (9), and (10), for the
3 16 individual, the individual's spouse, and the individual's
3 17 dependent to the extent that the expenditures qualify for the
3 18 deduction for medical care under section 213(a) of the
3 19 Internal Revenue Code without regard to whether the
3 20 expenditures exceed seven and one-half percent of the
3 21 individual's federal adjusted gross income. However, any
3 22 expenditure for an approved purpose which is paid from the
3 23 family health account shall not be deducted as a medical
3 24 expense under section 422.9, subsection 2, or as health
3 25 insurance costs of self-employed individuals under section
3 26 162(1) of the Internal Revenue Code.

3 27 g. A financial institution holding a family health account
3 28 shall make an annual report to the department of revenue and
3 29 finance on contributions and withdrawals to the account in the
3 30 year pursuant to rules of the department.

3 31 h. A financial institution administering a family health
3 32 account shall be able to process claims against the account
3 33 electronically subject to reasonable terms and conditions as
3 34 determined by the insurance division and consistent with the
3 35 requirements of the community health management information
4 1 system.

4 2 i. If an individual makes a withdrawal from the
4 3 individual's family health account in the tax year and the
4 4 withdrawal is not for one of the purposes described in
4 5 paragraph "f", a civil penalty of ten percent shall be imposed
4 6 on the amount withdrawn pursuant to rules of the department.

4 7 2. As a condition of maintaining a family health account
4 8 the individual or family must secure and maintain a health
4 9 benefit plan. The plan must provide for copayments,
4 10 deductibles, or out-of-pocket maximums consistent with the
4 11 average balance of the family health account.

4 12 3. As used in this section, unless the context otherwise
4 13 requires:

4 14 a. "Account holder" means an individual for whose benefit
4 15 a family health account is established.

4 16 b. "Dependent" means the same as defined in section 152 of
4 17 the Internal Revenue Code.

4 18 c. "Financial institution" means a private insurer, health

4 19 maintenance organization, organized delivery system, health
4 20 insurance purchasing cooperative, or a financial institution
4 21 approved by the insurance division as an investment mechanism
4 22 for family health accounts and licensed to do business in this
4 23 state.

4 24 d. "Internal Revenue Code" means the same as defined in
4 25 section 422.3.

4 26 Sec. 3. This Act takes effect January 1, 1996, for tax
4 27 years beginning on or after that date.

4 28 EXPLANATION

4 29 This bill allows a deduction for amounts of contributions
4 30 to a family health account. In addition, the bill allows a
4 31 deduction from adjusted gross income for the interest earned
4 32 on a family health account to the extent not withdrawn or not
4 33 used for a nonapproved purpose.

4 34 New section 505.22 is created which establishes family
4 35 health accounts to provide for the payment of health care
5 1 costs for certain individuals.

5 2 The bill is effective January 1, 1996, for tax years
5 3 beginning on or after that date.

5 4 LSB 1502YC 76

5 5 mg/cf/24