

STATE OF OKLAHOMA

1st Session of the 50th Legislature (2005)

COMMITTEE SUBSTITUTE  
FOR  
HOUSE BILL NO. 1848

By: Steele

COMMITTEE SUBSTITUTE

An Act relating to insurance; creating the Health Savings Account Act; defining terms; providing for certain requirements for health savings accounts; providing for certain tax treatment for certain persons; limiting certain deposits; providing for certain tax exemptions; restricting use of certain funds for certain purposes; providing for withdraw of certain monies; providing for certain disbursements; providing for certain exemptions from taxation; providing for transfers; providing for distributions in event of death; providing for transfers to certain other employers; providing for codification; and providing an effective date.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6060.14 of Title 36, unless there is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Health Savings Account Act".

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6060.15 of Title 36, unless there is created a duplication in numbering, reads as follows:

As used in this act:

1. "Deductible" means the total deductible for an eligible individual and all the dependents of that eligible individual for a calendar year;

2. "Dependent" means the spouse or child of the eligible individual as defined in Section 152 of the Internal Revenue Code;

1       3. "Eligible individual" means the individual taxpayer,  
2 including employees of an employer who contributes to health savings  
3 accounts on the employees' behalf, who:

4           a. must be covered by a "high deductible health plan"  
5               individually or with dependent,

6           b. may not be covered under any health plan that is not a  
7               high deductible health plan, except for:

8               (1) coverage for accidents,

9               (2) workers' compensation insurance,

10              (3) insurance for a specified disease or illness,

11              (4) insurance paying a fixed amount per day per  
12               hospitalization, and

13              (5) tort liabilities, and

14           c. establishes the health savings account, or on whose  
15               behalf the health savings account is established;

16       4. "Health savings account" or "account" means a trust or  
17 custodian established in this state pursuant to a health savings  
18 account program exclusively to pay the qualified medical expenses of  
19 an eligible individual or their dependents, but only if the written  
20 governing instrument creating the account meets the following  
21 requirements:

22           a. except in the case of a rollover contribution, no  
23               contribution will be accepted:

24               (1) unless it is in cash, or

25               (2) to the extent the contribution, when added to the  
26               previous contributions to the account for the  
27               calendar year, exceeds one hundred percent (100%)  
28               of the eligible individual's deductible or Two  
29               Thousand Six Hundred Dollars (\$2,600.00) for an  
30               individual or Five Thousand One Hundred Fifty  
31               Dollars (\$5,150.00) per family, whichever is  
32               lower,

- b. the trustee or custodian is a bank, an insurance company, or another person approved by the United States Secretary of Health and Human Services,
- c. no part of the trust assets will be invested in life insurance contracts,
- d. the assets of the account will not be commingled with other property except as allowed for under Individual Retirement Accounts, and
- e. eligible individual's interest in the account is nonforfeitable;

5. "Health savings account program" or "program" means a program that includes all of the following:

- a. the purchase by an eligible individual or by an employer of a high deductible health plan, and
- b. the contribution into a health savings account by an eligible individual or on behalf of an employee or by their employer. The total annual contribution may not exceed the amount of the plan's higher deductible or the amounts listed in paragraph 8 of this section;

6. "High deductible health plan" means a health coverage policy, certificate, or contract that provides for payments for covered benefits that exceed the higher deductible;

7. "Qualified medical expense" means an expense paid by the taxpayer for medical care described in paragraph d of Section 213 of the Internal Revenue Code; and

8. "High deductible" means:

- a. in the case of self-only coverage, an annual deductible which is not less than One Thousand Dollars (\$1,000.00) and the sum of the annual deductible and other annual out-of-pocket expenses required to be paid under the plan for covered benefits does not exceed Five Thousand Dollars (\$5,000.00), or

1           b.    in the case of family coverage, an annual deductible  
2                   of not less than Two Thousand Dollars (\$2,000.00) and  
3                   the sum of the annual deductible and other annual out-  
4                   of-pocket expenses required to be paid under the plan  
5                   for covered benefits does not exceed Ten Thousand  
6                   Dollars (\$10,000.00).

7 A plan shall not fail to be treated as a high deductible plan by  
8 reason of failing to have a deductible for preventive care or, in  
9 the case of network plans, for having out-of-pocket expenses which  
10 exceed these limits on an annual deductible for services provided  
11 outside the network.

12           SECTION 3.       NEW LAW       A new section of law to be codified  
13 in the Oklahoma Statutes as Section 6060.16 of Title 36, unless  
14 there is created a duplication in numbering, reads as follows:

15           A.   The provisions of this act shall also apply to taxpayers who  
16 are not receiving preferred federal tax treatment for a health  
17 savings account pursuant to Section 223 of the Internal Revenue  
18 Code.

19           B.   For taxable years beginning after 2005, a resident of  
20 Oklahoma or an employer shall be allowed to deposit contributions to  
21 a health savings account. The amount of deposit for each year shall  
22 not exceed one of the following:

23           1.   The amount of the plan's high deductible; or

24           2.   Two Thousand Six Hundred Dollars (\$2,600.00) for an  
25 individual policy; or

26           3.   Five Thousand One Hundred Fifty Dollars (\$5,150.00) for a  
27 family policy.

28           C.   Except as provided in Section 5 of this act, the following  
29 are exempt from taxation under the Oklahoma Income Tax Act:

30           1.   Principal contributed to and interest earned on a health  
31 savings account up to the amount of the high deductible; and

1 2. Money reimbursed to an eligible individual or an employee  
2 for qualified medical expenses.

3 SECTION 4. NEW LAW A new section of law to be codified  
4 in the Oklahoma Statutes as Section 6060.17 of Title 36, unless  
5 there is created a duplication in numbering, reads as follows:

6 A. The trustee or custodian shall utilize the funds held in a  
7 health savings account solely for the following purposes:

8 1. To pay the qualified medical expenses of the eligible  
9 individual or their dependents; or

10 2. To purchase a health coverage policy certificate, or  
11 contract, if the eligible individual:

12 a. is receiving unemployment compensation,

13 b. is exercising continuation privileges under federal  
14 law, or

15 c. is purchasing a long-term care insurance contract; or

16 3. To pay for health insurance other than a Medicare  
17 supplemental policy for those who are Medicare eligible.

18 B. Funds held in a health savings account shall not be used to  
19 cover expenses of the eligible individual or their dependents that  
20 are otherwise covered, including, but not limited to, medical  
21 expenses covered by the following:

22 1. An automobile insurance policy;

23 2. Worker's compensation insurance policy or self-insured plan;

24 or

25 3. Another employer-funded health coverage policy, certificate  
26 or contract.

27 SECTION 5. NEW LAW A new section of law to be codified  
28 in the Oklahoma Statutes as Section 6060.18 of Title 36, unless  
29 there is created a duplication in numbering, reads as follows:

30 A. Notwithstanding paragraphs C, D, E, and F of this section,  
31 an eligible individual may withdraw money from their health savings  
32

1 account for any purpose other than a purpose described in subsection  
2 A of Section 4 of this act.

3 B. If the eligible individual withdraws money for any purpose  
4 other than a purpose described in subsection A of Section 4 of this  
5 act, at any other time, all of the following shall apply:

6 1. The amount of the withdrawal is income for the purposes in  
7 the Oklahoma Income Tax Act in the tax year of the withdrawal; and

8 2. Interest earned on the account during the tax year in which  
9 a withdrawal under this subsection is made is income for the  
10 purposes of the Oklahoma Income Tax Act.

11 C. The amount of disbursement of any assets of a health savings  
12 account pursuant to a filing for protection under Section 101 of  
13 Title 11 of the United States Code by an eligible individual or  
14 person for whose benefit the account was established is not  
15 considered a withdrawal for purposes of this section. The amount of  
16 a disbursement is not subject to taxation under the Oklahoma Income  
17 Tax Act and subsection B of this section does not apply.

18 D. The transfer of an eligible individual's interest in a  
19 health savings account to an eligible individual's spouse or former  
20 spouse under a divorce or separation instrument shall not be  
21 considered a taxable transfer made by such eligible individual,  
22 notwithstanding any other provision of this title, and the interest  
23 shall, after the transfer, be treated as a health savings account  
24 with respect to which the spouse is the eligible individual.

25 E. Upon the death of the eligible individual, the trustee or  
26 custodian shall distribute the principle and accumulated interest of  
27 the health savings account to the estate of the deceased.

28 F. If an employee becomes employed with a different employer  
29 that participates in a health savings account program, the employee  
30 may transfer their health savings account to that new employer's  
31 trustee or custodian, or to an individually purchased account  
32 program.

1 SECTION 6. This act shall become effective November 1, 2005.

2  
3 50-1-6713 SBH 02/15/05  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32