

Tax Relief and Health Care Act of 2006 Passed by Congress December 8th Includes Provision for Expanding (HSA's) Health Savings Accounts

Allows an Employee to Roll Over Unused Funds From an FSA and/or HRA

*An employee can start an HSA by making a one-time tax-free transfer of FSA and HRA amounts in their accounts as of September 21, 2006 to an HSA

*The transfer must be made by January 1, 2012

Expands the Annual Limits on HSA contributions

*Repeals the annual deductible limitation on HSA contributions.

*Allow individuals with HSA-qualified policies that have deductibles below the annual contribution limits (currently \$2,700 for self-only coverage and \$5,450 for family coverage) to contribute up to these maximum amounts each year.

Allows Full-Year Contributions for Part-Year Coverage

* Permits taxpayers whose HSA-qualified coverage begins mid-year to make a contribution equal to their policy deductible for the year, or annual contribution limit, if higher.

* Will help people who begin their HSA-qualified coverage part-way through the year and who are subject to the entire calendar year deductible by allowing them to make a full annual contribution.

*Taxpayers would be required to maintain a HDHP for a full year beginning in the month the HSA begins or pay tax on the contribution and a 10% penalty.

Additional Flexibility for Employers to Help Lower Paid Workers

*Provides an exception to the current comparability rules that require companies to make equal dollar contributions to all HSA-eligible employees with similar coverage and work status

*Gives employers flexibility to provide greater assistance to their lower-paid workers in the form of contributions to their HSA accounts.

Earlier Notification of Cost of Living Adjustment

*Bill requires Secretary of Treasury to announce adjustments to the deductible and out-of-pocket limits, indexed for inflation each year, by June 1st of each year (previously November)