

107TH CONGRESS
2^D SESSION

H. R. 5415

To amend the Internal Revenue Code of 1986 to establish a pilot program to encourage the use of medical savings accounts by certain current and retired public employees of the State of Minnesota and political jurisdictions thereof.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 19, 2002

Mr. GUTKNECHT (for himself, Mr. KENNEDY of Minnesota, Mr. LUTHER, Ms. MCCOLLUM, Mr. PETERSON of Minnesota, Mr. RAMSTAD, and Mr. SABO) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to establish a pilot program to encourage the use of medical savings accounts by certain current and retired public employees of the State of Minnesota and political jurisdictions thereof.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Minnesota MSA Em-
5 powerment Act of 2002”.

1 **SEC. 2. DEDUCTION FOR MINNESOTA PUBLIC EMPLOYEE**
2 **MSA PILOT PROGRAM.**

3 (a) IN GENERAL.—Part VII of subchapter B of chap-
4 ter 1 of the Internal Revenue Code of 1986 (relating to
5 additional itemized deductions) is amended by redesi-
6 gnating section 223 as section 224 and by inserting after
7 section 222 the following new section:

8 **“SEC. 223. MINNESOTA PUBLIC EMPLOYEE MSAS.**

9 “(a) IN GENERAL.—In the case of an eligible indi-
10 vidual, there shall be allowed as a deduction an amount
11 equal to the amount contributed during the taxable year
12 by such individual to the Minnesota public employee MSA
13 of such individual.

14 “(b) LIMITATION.—The amount allowed as a deduc-
15 tion by subsection (a) for a taxable year shall not exceed
16 \$10,000.

17 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
18 section, the term ‘eligible individual’ means an individual
19 who—

20 “(1) is in receipt of retirement benefits for the
21 taxable year from the State of Minnesota or a polit-
22 ical subdivision thereof, or

23 “(2)(A) has attained age 45 as of the end of
24 the taxable year,

25 “(B) is an employee of the State of Minnesota
26 or a political subdivision thereof,

1 “(C) as of the last day the of taxable year, is
2 100 percent vested in the defined benefit plan pro-
3 vided by such State or political subdivision, and

4 “(D) made a contribution during the taxable
5 year to such defined benefit plan.

6 “(d) MINNESOTA PUBLIC EMPLOYEE MSA.—

7 “(1) IN GENERAL.—The term ‘Minnesota public
8 employee MSA’ means an Archer MSA which is cre-
9 ated or organized exclusively for the purpose of pay-
10 ing the qualified medical expenses of the eligible in-
11 dividual and—

12 “(A) which is designated as a Minnesota
13 public employee MSA,

14 “(B) with respect to which no contribution
15 may be made other than—

16 “(i) a contribution made by the eligi-
17 ble individual or the employer of the eligi-
18 ble individual, and

19 “(ii) a trustee-to-trustee transfer re-
20 ferred to in paragraph (4),

21 “(C) the governing instrument of which
22 provides that the trustee of such account may
23 only be a Federally chartered credit union with
24 multiple service locations throughout the Min-

1 neapolis-St. Paul metropolitan area that serves
2 a substantial number of eligible individuals, and

3 “(D) the governing instrument of which
4 provides that trustee-to-trustee transfers de-
5 scribed in section 220(f)(5) may be made to
6 and from such account only from and to, re-
7 spectively, another Minnesota public employee
8 MSA.

9 “(2) ARCHER MSA; QUALIFIED MEDICAL EX-
10 PENSES.—For purposes of this section, the terms
11 ‘Archer MSA’ and ‘qualified medical expenses’ shall
12 have the respective meanings given to such terms by
13 section 220(d).

14 “(e) SPECIAL RULES.—In applying section 220 to a
15 Minnesota public employee MSA—

16 “(1) subsection (d)(1)(A)(ii) shall not apply,
17 and

18 “(2) subsection (f)(3) shall be treated as includ-
19 ing a reference to this section.

20 “(f) INFLATION ADJUSTMENT.—

21 “(1) IN GENERAL.—In the case of a taxable
22 year beginning after 2003, the dollar amount in sub-
23 section (b) shall be increased by an amount equal
24 to—

25 “(A) such dollar amount, multiplied by

1 “(B) the cost-of-living adjustment deter-
2 mined under section 1(f)(3) for the calendar
3 year in which the taxable year begins, deter-
4 mined by substituting ‘calendar year 2002’ for
5 ‘calendar year 1992’ in subparagraph (B)
6 thereof.

7 “(2) ROUNDING.—If any amount as adjusted
8 under subparagraph (A) is not a multiple of \$100,
9 such amount shall be rounded to the next lowest
10 multiple of \$100.

11 “(g) REPORTS.—In the case of a Minnesota public
12 employee MSA, the report under section 220(h)—

13 “(1) shall include the fair market value of the
14 assets in such Minnesota public employee MSA as of
15 the close of each calendar year, and

16 “(2) shall be furnished to the account holder—

17 “(A) not later than January 31 of the cal-
18 endar year following the calendar year to which
19 such reports relate, and

20 “(B) in such manner as the Secretary pre-
21 scribes.

22 “(h) COORDINATION WITH LIMITATION ON NUMBER
23 OF TAXPAYERS HAVING ARCHER MSAS.—Subsection (i)
24 of section 220 shall not apply to an individual with respect
25 to a Minnesota public employee MSA, and Minnesota pub-

1 lie employee MSAs shall not be taken into account in de-
 2 termining whether the numerical limitations under section
 3 220(j) are exceeded.”.

4 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
 5 PAYER ITEMIZES.—Subsection (a) of section 62 is amend-
 6 ed by inserting after paragraph (18) the following new
 7 item:

8 “(19) MINNESOTA PUBLIC EMPLOYEE MSAS.—
 9 The deduction allowed by section 223.”.

10 (c) TAX ON EXCESS CONTRIBUTIONS.—Section
 11 4973(d) of such Code (relating to excess contributions to
 12 Archer MSAs) is amended—

13 (1) in paragraph (1) by inserting “or 223”
 14 after “220”, and

15 (2) in paragraph (2) by inserting “or 223(b)”
 16 after “220(b)(1)”.

17 (d) CLERICAL AMENDMENT.—The table of sections
 18 for part VII of subchapter B of chapter 1 of such Code
 19 is amended by striking the last item and inserting the fol-
 20 lowing new items:

“Sec. 223. Minnesota public employee MSAs.
 “Sec. 224. Cross reference.”.

21 (e) EFFECTIVE DATE.—The amendments made by
 22 this section shall apply to taxable years beginning after
 23 December 31, 2002.

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