



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2011 Wisconsin Act 1
[2011 January Special Session
Senate Bill 2]

Health Savings Accounts

2011 Wisconsin Act 1 adopts, for state income tax and franchise tax purposes, the following federal provisions of the Internal Revenue Code relating to health savings accounts:

Section 106 (d): This section provides that amounts contributed by an eligible individual's* employer to the employee's health savings account (HSA) are treated as employer-provided coverage for medical expenses under an accident or health plan. The limits for these contributions are, for 2011, \$3,050 for an individual and \$6,150 for a family.

Section 223: Among other provisions, this section provides that an amount paid by or on behalf of an eligible individual into an HSA is deductible from the person's income; and that a distribution from an HSA that is used to pay qualified medical expenses is not includible in gross income. It also contains other provisions.

Section 408 (d) (9): This section provides that the gross income of the individual for the taxable year does not include a distribution from an individual retirement account into an HSA.

Section 220 (f) (5) (A): This section provides that an amount paid or distributed from an Archer medical savings account (the predecessor to HSAs) to an HSA are treated as a rollover contribution if it meets certain requirements.

Act 1 also creates a state penalty for HSA distributions that are not used to pay for qualified medical expenses. The penalty is 33% of the federal penalty that is imposed on these distributions.

* An "eligible individual" is one who is covered under a high deductible health plan (HDHP) and which is not covered under any other health plan that is not a HDHP and which provides coverage for any benefit covered under the HDHP.

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.

Effective date: Act 1 takes effect on February 8, 2011; its provisions apply to taxable years beginning on January 1, 2011.

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LR:jal