

CHRIS WEST
Legislative District 42
Baltimore County

Judicial Proceedings Committee

Vice Chair, Baltimore County
Senate Delegation



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Annapolis Office
James Senate Office Building
11 Bladen Street, Room 303
Annapolis, Maryland 21401
410-841-3648 · 301-858-3648
800-492-7122 Ext. 3648
Chris.West@senate.state.md.us

District Office
1134 York Road, Suite 200
Lutherville -Timonium, MD 21093
410-823-7087

February 19, 2020

Senate Finance Committee
The Honorable Dolores G. Kelley
3 East Miller Senate Building
Annapolis, Maryland 21401-1991

RE: SB 507 – Estates and Trusts – Health Savings Accounts – Establishment

Dear Chair Kelley and Members of the Committee:

I am pleased to introduce Senate Bill 507 which will adjust the establishment date for Health Savings Accounts (HSAs) in Maryland.

An HSA is a portable, triple-tax-advantaged account that allows individuals to plan, save, and pay for current and future out-of-pocket medical expenses for themselves, their spouse, and dependents. These contributions, earnings, and distributions for medical expenses are all tax advantaged which allows individuals to realize significant savings by using an HSA to pay and save for medical expenses. In order to be eligible for an HSA one must be covered by a high deductible health plan (HDHP). The process of opening an HSA outside of obtaining the HDHP can be very confusing, and as a result many individuals do not understand the process and end up delaying the opening of the account.

Current Maryland trust law dictates that a trust is established when the trustee accepts and takes legal ownership of the property to be placed in the trust. As a result, an individual with an HSA governed by Maryland law may not use their HSA prior to the date funding was accepted. In other states such as Missouri and Utah, state trust laws allow for HSAs to be deemed established on the effective date of the individual's underlying HDHP coverage, generally on the first day of a calendar year. This bill would allow medical expenses incurred after January 1 in any year but prior to the establishment of an HSA to be paid for by the HSA. This is a major issue as Missouri and Utah offer a competitive advantage for companies such as *ConnectYourCare*, which operates in my District. By amending Maryland law to allow an HSA to be established and then to pay for medical expenses incurred back to January 1, account holders would be able to utilize their HSA for all of their medical expenses during the plan year. This change will therefore allow account holders with Maryland governed HSAs to have the same retroactive advantage as HSAs governed by Utah and Missouri trust laws.

For these reasons I ask for a favorable report on Senate Bill 507.