



AMERICANS for TAX REFORM

Grover G. Norquist
President

April 9, 2008

Dear Congressman:

I write today extremely concerned about an HSA-crippling provision of H.R. 5719, the "Taxpayer Assistance and Simplification Act of 2008." This provision would do to HSAs what the 1986 Tax Reform Act did to IRAs—in other words, strangle them in the crib.

The section in question would require a third party to "substantiate" that a distribution from an HSA is used for a qualified medical expense. Failure to obtain this substantiation would result in a distribution that would be taxable to the HSA owner, who would also owe a 10% penalty if they are under age 65.

Under current law, taxpayers themselves assert whether or not a distribution is for a qualified medical expense. They do so knowing that their contributions are reported on a 5498-SA, their distributions are reported on a 1099-SA, and their employer's contributions are reported on a W-2. Both the deduction and the reporting are done on Form 8889, an attachment to Form 1040. All of these multiple reporting events are made from participants to the IRS under penalty of perjury and threat of audit. Compared to other, less scrutinized deductions, the world of HSAs is already highly-monitored.

This provision is little more than a single company's special interest earmark, inserted in the dead of night at the behest of a former, high-ranking staffer of the Ways and Means committee. There is only one company—Evolution Benefits—that has the ability to offer this "substantiation," which would create a monopoly.

The interest of Congressman Stark is clear—as Congress' most vocal opponent of HSAs, he views this as a means to destroy one of the only free market elements of the health care sector. This provision paves the way to socialized medicine.

Banks and brokerage firms will be more hesitant to offer these products. Employers will be far less likely to offer them as a health insurance option. Consumers would be forced to purchase monopolized services from Evolution Benefits. The net result would be a freezing effect on HSAs, killing them in the springtime of their youth.

Sincerely,

Grover Norquist
GGN:rlc

1920 L Street NW

Suite 200

Washington, DC

20036

T: (202) 785-0266

F: (202) 785-0261

www.atr.org