

CALIFORNIA
ADVOCATES, INC.



May 13, 2013

The Honorable Beth Gaines
Member, California State Assembly
State Capitol, Room 2130
Sacramento, CA 95814

**SUBJECT: AB 1129 (GAINES)—INCOME TAX: HEALTH SAVINGS
ACCOUNTS – SUPPORT
ASSEMBLY REVENUE AND TAXATION COMMITTEE
SCHEDULED FOR HEARING: MAY 13, 2013**

Dear Assembly Member Gaines:

The California Association of Health Underwriters (CAHU) is pleased to **SUPPORT** your **AB 1129**, as introduced, which would change state tax laws pertaining to health savings accounts (HSAs) in order to provide savings to public and private sector employees and employers.

As introduced, **AB 1129** entitles individuals to a state tax deduction for contributions to a Health Savings Account (HSA) in conformity with recent changes to federal tax law. Health Savings Accounts allow individuals to save tax-free dollars to pay for near-term medical expenses and save for future longer-term costs. California is one of only three states that do not conform to federal tax law on HAS deductibility.

The Internal Revenue Code allows tax-free savings into an HSA for medical expenses. Up to 100% of the deductible amount of an accompanying high-deductible health insurance policy may be contributed to an HSA by either the employee account holder or the employer, or both. Funds are completely portable and may be carried over from year to year during a participant's lifetime.

HSAs have proven to be a great financial and medical benefit for employees and employers. California is one of five states that currently taxes contributions to HSAs. Employees throughout most of the nation enjoy both federal and state tax-free contributions to HSAs. It is very surprising that in such a high cost state as California, the same tax advantage has not been provided to California workers before now.

CAHU is the state's largest association of health insurance agents, brokers and other health insurance industry professionals. Our members help millions of individual Californians and businesses evaluate, select, purchase and use their health care coverage plans, resulting in greater health and financial security. CAHU agents and brokers also act as advocates for policyholders and their families when coverage disputes arise. CAHU agents and brokers perform many functions for small employers with respect to managing their employee benefits program-at no additional cost to the small employer.

CAHU looks forward to working with you and your staff in **SUPPORT** of your **AB 1129**.

Sincerely,

Julianne Broyles
On Behalf of California Association of Health Underwriters

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