



January 3, 2018

The Honorable Jay Obernolte  
State Capitol, Room 4116  
Sacramento, CA 95814

**SUBJECT: AB 1140 (OBERNOLTE) INCOME TAX: HEALTH SAVINGS  
ACCOUNTS- SUPPORT  
ASSEMBLY REVENUE & TAXATION COMMITTEE  
SCHEDULED FOR HEARING: January 8, 2018**

Dear Assembly Member Obernolte:

The California Association of Health Underwriters (CAHU), the National Association of Insurance and Financial Advisors of California (NAIFA-California), and Independent Insurance Agents and Brokers of California (IIABCal) are the largest associations of professional licensed health insurance agents 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. Our agents and brokers also serve as advocates for policyholders and their families when coverage disputes arise. 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.

Our organizations are pleased to SUPPORT your AB 1140, as amended January 3, 2018, 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 amended, AB 1140 entitles individuals to a state tax deduction for contributions to a Health Savings Account (HSA) in conformity with 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 HSA 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. A recent survey indicates that over 52% of all Americans use HAS dollars to pay for post-retirement medical care.

CAHU, NAIFA-CA and IIABCal SUPPORT AB 1140 (Oberholte), and our organizations are available to assist with your efforts to help everyday Californians who are trying to obtain and pay for health care. Please do not hesitate to contact us if you require further information: Faith Lane (CAHU) at 916-441-5050; John Norwood (IIABCal) at (916) 447-5053, or Shari McHugh (NAIFA California) at (916) 930-1993.

Sincerely,



Faith Lane  
CAHU  
(916) 441-5050

John Norwood  
IIABCal  
(916) 447-5053



Shari McHugh  
NAIFA California  
(916) 930-1993

cc: Chair and Members, Assembly Revenue and Taxation Committee  
Sue Highland, Assembly Revenue and Tax Committee  
Julia King, Assembly Republican Caucus