

**GROOM
LAW GROUP**
www.groom.com

Rev. 03/12/06

State/District Tax Treatment of Health Savings Accounts (HSAs)

State/District	Conforms to IRC for HSA Purposes	Comments
1. Alabama	No	Alabama recognizes only certain federal exclusions from income and does not provide tax relief for HSAs. However, pre-tax contributions made to an HSA through a Code section 125 cafeteria plan should be permissible. Alabama Tax Forms do not reference HSAs yet.
2. Alaska	N/A	Alaska has no personal income tax.
3. Arizona	Yes, generally conforms to IRC as of 1/1/2004.	Arizona conforms to federal tax law; HSA tax advantages flow through.
4. Arkansas	Yes	Arkansas conforms to federal tax law with respect to HSAs. HB 1064 was signed into law on February 11, 2005. The law allows amounts contributed to an HSA by an employer to be excluded from income, allows interest earned on an HSA to be excluded from income, and allows a state income tax deduction for amounts contributed on an after-tax basis to an HSA.
5. California	No	California passed A.B. 115 on October 7, 2005, which conforms California income tax law to federal tax law as of April 15, 2005, but specifically excepts HSAs. Under A.B. 115, HSA contributions may not be made on a pre-tax basis, no deduction is available for after-tax contributions, and earnings are taxed.
6. Colorado	Yes	Colorado conforms to federal tax law; HSA tax advantages flow through.
7. Connecticut	Yes	Connecticut conforms to federal tax law; HSA tax advantages flow through.
8. Delaware	Yes	Delaware conforms to federal tax law; HSA tax advantages flow through.
9. District of Columbia	Yes	DC conforms to federal tax law; HSA tax advantages flow through.
10. Florida	N/A	Florida has no personal income tax.
11. Georgia	Yes, generally conforms to IRC as of 1/1/2004.	Georgia conforms to federal tax law; HSA tax advantages flow through.
12. Hawaii	Yes, generally conforms to IRC as of 12/31/2003.	Hawaii's Act 89 (2004) conforms state taxes with federal law, as amended to Dec. 31, 2003. HSAs are included. See HI-Ann. 2004-02.
13. Idaho	Yes, generally conforms to IRC as of 1/1/2004.	Idaho conforms to federal tax law; HSA tax advantages flow through.
14. Illinois	Yes	Illinois conforms to federal tax law; HSA tax advantages flow through.
15. Indiana	Yes	Indiana conforms to federal tax law; HSA tax advantages flow through.
16. Iowa	Yes	Iowa conforms to federal tax law; HSA tax advantages flow through.
17. Kansas	Yes	Kansas conforms to federal tax law; HSA tax advantages flow through.
18. Kentucky	No	Kentucky amended their tax code to conform the Internal Revenue Code as of December 31, 2004. Therefore, HSA contributions and interest are exempt from taxation as income in Kentucky. (HB 272 signed by Governor on 3/18.)
19. Louisiana	Yes	Louisiana conforms to federal tax law; HSA tax advantages flow through.

GROOM LAW GROUP

www.groom.com

Rev. 03/12/06

State/District	Conforms to IRC for HSA Purposes	Comments
20. Maine	Yes	Maine conforms to the IRC as of 1/7/2005. For tax years beginning in 2004 and 2005, Maine law required taxpayers to add back to income amounts contributed to health savings accounts (“HSAs”) to the extent the amount was not included in federal adjusted gross income. 36 M.R.S.A. § 5122(1)(W). LD 1968, which was signed by the Governor on March 29, 2006, included a provision repealing this “add-back” provision, effective for tax years beginning on or after January 1, 2006.
21. Maryland	Yes	Maryland conforms to federal tax law; HSA tax advantages flow through.
22. Massachusetts	Yes	Massachusetts Conforms to the IRC as of 1/1/2005; HSA tax advantages flow through. <i>See</i> MA DOR- Guide to Taxes. The change came into effect on December 8, 2005 as part of "An Act Relative to Tax Laws," Mass St. 2005, c. 163, § 3, signed December 8, 2005, which conformed the Massachusetts Tax Code to the Internal Revenue Code as of January 1, 2005 (Previously it conformed to the Internal Revenue Code as of January 1, 1998-- which did not include HSAs)
23. Michigan	Yes	Michigan conforms to federal tax law; HSA tax advantages flow through.
24. Minnesota	Yes	Minnesota enacted legislation in July 2005 to conform to federal tax law changes (generally conforms to IRC as of April 15, 2005). With respect to HSAs, this legislation is retroactive to tax years beginning in 2004. Hence, HSA deductions do flow through.
25. Mississippi	Yes	Mississippi passed tax legislation that will allow a state income tax deduction for HSA contributions made on an after-tax basis. (HB 1213, enacted 3/29/05). Mississippi uses federal W-2 wages as a starting point for determining gross income. Accordingly, HSA contributions made by an employer or through a cafeteria plan (which are not reportable on Form W-2) will not be included in income for state income tax purposes.
26. Missouri	Yes	Missouri conforms to federal tax law; HSA tax advantages flow through.
27. Montana	Yes	Montana conforms to federal tax law; HSA tax advantages flow through.
28. Nebraska	Yes	Nebraska conforms to federal tax law; HSA tax advantages flow through.
29. Nevada	N/A	Nevada has no personal income tax.
30. New Hampshire	N/A	New Hampshire has no personal income tax.
31. New Jersey	No	New Jersey does not conform to federal tax law. While NJ has a state exemption for Archer MSAs, it does not currently provide any HSA relief.
32. New Mexico	Yes	New Mexico conforms to federal tax law; HSA tax advantages flow through.
33. New York	Yes	New York conforms to federal tax law; HSA tax advantages flow through.
34. North Carolina	Yes	North Carolina conforms to federal tax law; HSA tax advantages flow through.
35. North Dakota	Yes	North Dakota conforms to federal tax law; HSA tax advantages flow through.
36. Ohio	Yes	Ohio conforms to federal tax law; HSA tax advantages flow through. If an Ohio taxpayer also deducts money transferred to an Ohio Medical Savings Account ("OMSA"), the OMSA deduction must be reduced by the Federal HSA deduction. <i>See</i> OH IT 1040 Instructions, at 19 (2004).
37. Oklahoma	Yes	Oklahoma conforms to federal tax law and HSA tax advantages flow through. An OK taxpayer cannot claim a deduction for an Oklahoma

GROOM LAW GROUP

www.groom.com

Rev. 03/12/06

State/District	Conforms to IRC for HSA Purposes	Comments
		Medical Savings Account if an HSA deduction is claimed on the federal return. <i>See</i> OK Form 511 packet, at 17 (2004).
38. Oregon	Yes	Oregon does not conform to recent federal tax law changes (generally conforms to IRC as of 12/31/2002), but specifically conformed to the HSA legislation. OR allows the same HSA deduction that has been claimed on the federal return. <i>See</i> OR 2004 Personal Income Tax Guide, at 44.
39. Pennsylvania	Yes	Pennsylvania: The Health Savings Account Act, S.B. 300, was signed into law by the Governor on July 6, 2006. The bill exempts contributions to an HSA from the state's 3.07 percent personal income tax. Prior to the enactment of S.B. 300, only interest income earned by an HSA and distributions used to pay for eligible medical or dental expenses were exempt from Pennsylvania state personal income tax.
40. Rhode Island	Yes	Rhode Island conforms to federal tax law; HSA tax advantages flow through.
41. South Carolina	Yes	South Carolina conforms to federal tax law; HSA tax advantages flow through.
42. South Dakota	N/A	South Dakota has no personal income tax.
43. Tennessee	N/A	Tennessee has no personal income tax.
44. Texas	N/A	Texas has no personal income tax.
45. Utah	Yes	Utah conforms to federal tax law; HSA tax advantages flow through.
46. Vermont	Yes, generally conforms to IRC as of 12/31/2003.	Vermont conforms to federal tax law; HSA tax advantages flow through.
47. Virginia	Yes, generally conforms to IRC as of 12/31/2003.	Virginia conforms to federal tax law; HSA tax advantages flow through. <i>See</i> VA P.D. 04-40 (Aug. 1, 2004).
48. Washington	N/A	Washington has no personal income tax.
49. West Virginia	Yes	West Virginia conforms to federal tax law; HSA tax advantages flow through.
50. Wisconsin	No	Wisconsin generally follows the IRC as amended to December 31, 2002. Because the federal provisions relating to health savings accounts were enacted during 2003, they do not apply for Wisconsin for taxable years beginning in 2004. <i>See</i> WI-Tax Bulletin No. 140 (2004).
51. Wyoming	N/A	Wyoming does not have a personal income tax.