
A BILL FOR AN ACT

RELATING TO HEALTH SAVINGS ACCOUNTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that access to preventive
2 care, telehealth, and urgent care improves health outcomes and
3 helps to control long-term health costs. Recent changes at the
4 federal level will result in the loss of medicaid coverage for
5 many residents of the State, causing many policyholders to
6 transition between public, employer-sponsored, and individual
7 insurance plans. The legislature further finds that during
8 periods in which a great number of policyholders transition
9 between insurance plans, commercial health insurance prices
10 spike and often become unaffordable.

11 The legislature recognizes that these reforms are intended
12 to preserve the protections of the Prepaid Health Care Act for
13 full-time workers while modernizing coverage options for others,
14 and that direct payment agreements for routine primary care
15 services are not insurance and may be used in combination with
16 coverage offered under this Act, to the extent permitted under
17 federal law.



1 The legislature also finds that, due to federal rule
2 changes effective January 1, 2026, federally qualified health
3 savings-account eligible high deductible health plans, including
4 low-premium bronze and catastrophic plans, when paired with
5 health saving accounts, may offer an affordable, flexible, and
6 portable coverage option. The legislature additionally finds
7 that rural and medically underserved areas face ongoing access
8 and market participation challenges and targeted incentives may
9 encourage insurers to offer coverage options to individuals in
10 these communities.

11 Accordingly, the purpose of this Act is to expand
12 affordable coverage options and promote continuity of care by:

13 (1) Establishing a tiered, nonrefundable tax credit for
14 qualified insurers offering federally qualified health
15 savings account-eligible high deductible health plans
16 in the State, with enhanced incentives for plans
17 written for residents in rural and medically
18 underserved areas; and

19 (2) Requiring qualified insurers to match up to a certain
20 amount of a policyholder's first-time contribution
21 into a health savings account.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:

4 "§235- Health savings account-eligible high deductible
5 health plan tax credit; first-time contribution match. (a)

6 There shall be allowed to each qualified taxpayer subject to the
7 tax imposed under this chapter, a health savings
8 account-eligible high deductible health plan tax credit that
9 shall be deductible from the taxpayer's net income tax
10 liability, if any, imposed by this chapter for the taxable year
11 in which the credit is properly claimed.

12 (b) The tax credit shall be:

13 (1) \$ for each federally qualified health
14 savings account-eligible high deductible health plan
15 that is written by a qualified taxpayer for an insured
16 residing in an area of the State that is not medically
17 underserved;

18 (2) \$ for each federally qualified health
19 savings account-eligible high deductible health plan
20 that is written by a qualified taxpayer for an insured



1 residing in a non-rural area of the State that is
2 medically underserved;

3 (3) \$ _____ for each federally qualified health
4 savings account-eligible high deductible health plan
5 that is written by a qualified taxpayer for an insured
6 residing in a partially rural area of the State that
7 is medically underserved; and

8 (4) \$ _____ for each federally qualified health
9 savings account-eligible high deductible health plan
10 that is written by a qualified taxpayer for an insured
11 residing in a rural area of the State that is
12 medically underserved;

13 provided that the tax credit shall only apply to each federally
14 qualified health savings account-eligible high deductible health
15 plan written in the State by a qualified taxpayer on or after
16 January 1, 2026; provided further that the total amount of tax
17 credits claimed by a qualified taxpayer shall not exceed
18 \$ _____ for the taxable year.

19 (c) To be eligible for the tax credit under this section,
20 a qualified taxpayer shall match an amount of up to

1 § for a policyholder's first-time contribution into a
2 health savings account.

3 (d) The director of taxation:

4 (1) Shall prepare any forms that may be necessary to claim
5 a tax credit under this section;

6 (2) May require a qualified taxpayer to furnish reasonable
7 information to verify the claim for the tax credit
8 made under this section; and

9 (3) May adopt rules pursuant to chapter 91 necessary to
10 carry out the purposes of this section.

11 (e) The credit allowed under this section shall be claimed
12 against the net income tax liability for the taxable year. If
13 the tax credit under this section exceeds the taxpayer's net
14 income liability, the excess of credit over liability may be
15 used as a tax credit against the taxpayer's net income tax
16 liability in subsequent years until exhausted. All claims for
17 tax credits under this section, including any amended claims,
18 shall be filed within five years following the close of the
19 taxable year for which the credit may be claimed. Failure to
20 comply with the foregoing provision shall constitute a waiver of
21 the right to claim the credit.



1 (f) The department of taxation shall adopt rules pursuant
2 to chapter 91 to require a qualified taxpayer claiming a tax
3 credit under this section to report to the department the value
4 of benefits provided to insureds under this section.

5 (g) For the purposes of this section:

6 "Health savings account" has the same meaning as defined
7 under section 223(d) (1) of the Internal Revenue Code of 1986, as
8 amended.

9 "High deductible health plan" means a plan that is:

10 (1) Available as individual coverage through an exchange
11 under section 1311 or 1321 of the Patient Protection
12 and Affordable Care Act; and

13 (2) A bronze plan, as described in section 1302(d) (1) (A)
14 of the Patient Protection and Affordable Care Act, or
15 a catastrophic plan, as described in section 1302(e)
16 of the Patient Protection and Affordable Care Act.

17 "Medically underserved area" means a geographic area or
18 population group designated by the United States Department of
19 Health and Human Services as an area with a shortage of primary
20 care health services or a population group experiencing a



1 shortage of primary care health services and facing economic,
2 cultural, or linguistic barriers to access health care.

3 "Qualified taxpayer" means a taxpayer that:

- 4 (1) Offers one or more health savings account-eligible
5 high deductible health plans that are in compliance
6 with section 223 of the Internal Revenue Code of 1986,
7 as amended, for residents of the State, including
8 those in rural and medically underserved areas; and
9 (2) Enrolls at least policyholders in one or more
10 federally qualified health savings account-eligible
11 high deductible health plans.

12 "Rural" means an area that is not delineated as an
13 urbanized area by the United States Census Bureau."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect on July 1, 2050, and
16 shall apply to taxable years beginning after December 31, 2025;
17 provided that this Act shall be repealed on December 31, 2030.



Report Title:

Department of Taxation; Health Insurance; Health Savings Account-Eligible High Deductible Health Plan; Bronze Plan; Catastrophic Plan; Tax Credit; Medically Underserved Areas

Description:

For taxable years beginning 1/1/2026, establishes a tiered nonrefundable tax credit for qualified taxpayer insurers that offer one or more federally qualified health savings account-eligible high deductible health plans in the State, under certain conditions, and increasing the tax credit to incentivize more plans being written for residents in rural medically underserved areas of the State. Requires qualified taxpayer insurers to match up to a certain amount of a policyholder's first-time contribution into a health savings account. Sunsets 12/31/2030. Effective 7/1/2050. (SD1)

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