SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the “Health Care Cost Reduction Act of 2012”.

(b) Table of Contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Repeal of medical device excise tax.
Sec. 3. Repeal of disqualification of expenses for over-the-counter drugs under certain accounts and arrangements.
Sec. 4. Taxable distributions of unused balances under health flexible spending arrangements.
Sec. 5. Recapture of overpayments resulting from certain federally-subsidized health insurance.

SEC. 2. REPEAL OF MEDICAL DEVICE EXCISE TAX.

(a) In General.—Chapter 32 of the Internal Revenue Code of 1986 is amended by striking subchapter E.

(b) Conforming Amendments.—

(1) Subsection (a) of section 4221 of such Code is amended by striking the last sentence.

(2) Paragraph (2) of section 6416(b) of such Code is amended by striking the last sentence.
(c) **CLERICAL AMENDMENT.**—The table of sub-
chapters for chapter 32 of such Code is amended by strik-
ing the item relating to subchapter E.

**SEC. 3. REPEAL OF DISQUALIFICATION OF EXPENSES FOR**

**OVER-THE-COUNTER DRUGS UNDER CERTAIN**

**ACCOUNTS AND ARRANGEMENTS.**

(a) **HSAS.**—Subparagraph (A) of section 223(d)(2)
of the Internal Revenue Code of 1986 is amended by strik-
ing the last sentence.

(b) **ARCHER MSAS.**—Subparagraph (A) of section
220(d)(2) of such Code is amended by striking the last
sentence.

(e) **HEALTH FLEXIBLE SPENDING ARRANGEMENTS**

**AND HEALTH REIMBURSEMENT ARRANGEMENTS.**—Sec-
tion 106 of such Code is amended by striking subsection
(f).

(d) **EFFECTIVE DATE.**—The amendments made by
this section shall apply to expenses incurred after Decem-

**SEC. 4. TAXABLE DISTRIBUTIONS OF UNUSED BALANCES**

**UNDER HEALTH FLEXIBLE SPENDING AR-
RANGEMENTS.**

(a) **IN GENERAL.**—Section 125 of the Internal Rev-

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**ENUE Code of 1986 is amended by redesignating sub-
sections (k) and (l) as subsections (l) and (m), respec-
tively, and by inserting after subsection (j) the following new subsection:

“(k) **Taxable Distributions of Unused Balances Under Health Flexible Spending Arrangements.**—

“(1) **In General.**—For purposes of this section and sections 105(b) and 106, a plan or other arrangement which (but for any qualified distribution) would be a health flexible spending arrangement shall not fail to be treated as a cafeteria plan or health flexible spending arrangement (and shall not fail to be treated as an accident or health plan) merely because such arrangement provides for qualified distributions.

“(2) **Qualified Distributions.**—For purposes of this subsection, the term ‘qualified distribution’ means any distribution to an individual under the arrangement referred to in paragraph (1) with respect to any plan year if—

“(A) such distribution is made after the last date on which requests for reimbursement under such arrangement for such plan year may be made and not later than the end of the 7th month following the close of such plan year, and
“(B) such distribution does not exceed the lesser of—

“(i) $500, or

“(ii) the excess of—

“(I) the salary reduction contributions made under such arrangement for such plan year, over

“(II) the reimbursements for expenses incurred for medical care made under such arrangement for such plan year.

“(3) TAX TREATMENT OF QUALIFIED DISTRIBUTIONS.—Qualified distributions shall be includible in the gross income of the employee in the taxable year in which distributed and shall be taken into account as wages or compensation under the applicable provisions of subtitle C when so distributed.

“(4) COORDINATION WITH QUALIFIED RESERVIST DISTRIBUTIONS.—A qualified reservist distribution (as defined in subsection (h)(2)) shall not be treated as a qualified distribution and shall not be taken into account in applying the limitation of paragraph (2)(B)(i).”
(b) CONFORMING AMENDMENT.—Paragraph (1) of section 409A(d) of such Code is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, and”, and by adding at the end the following new subpara-

graph:

“(C) a health flexible spending arrange-

ment to which subsection (h) or (k) of section 125 applies.”.

c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after De-


SEC. 5. RECAPTURE OF OVERPAYMENTS RESULTING FROM CERTAIN FEDERALLY-SUBSIDIZED HEALTH INSURANCE.

(a) IN GENERAL.—Paragraph (2) of section 36B(f) of the Internal Revenue Code of 1986 is amended by strik-
ing subparagraph (B).

(b) CONFORMING AMENDMENT.—So much of para-

graph (2) of section 36B(f) of such Code, as amended by subsection (a), as precedes “advance payments” is amend-
ed to read as follows:

“(2) EXCESS ADVANCE PAYMENTS.—If the”.

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(c) Effective Date.—The amendments made by this section shall apply to taxable years ending after December 31, 2013.