

A Commonsense Solution for Grieving Families

Funeral Coverage Act (H.R. 2436)

The Issue: Current HSA Rules Penalize Families at Death

Health Savings Accounts (HSAs) help Americans prepare for medical expenses. But when someone dies, the immediate financial need is often not medical, it is the cost of a funeral.

Under current law, HSA funds cannot be used tax-free for funeral expenses. At the very moment families are grieving, they may face:

- Immediate funeral expenses
- Frozen accounts
- Unexpected tax consequences
- Financial strain during an already difficult time

The *Funeral Coverage Act* offers a straightforward, compassionate solution by allowing limited HSA funds to be used tax-free for funeral expenses

What Happens to an HSA at Death?

When an HSA account holder dies:

- If the beneficiary is a surviving spouse, the HSA transfers tax-free.
- If the beneficiary is not a spouse, the funds are taxed as ordinary income.
- If no beneficiary is named, the account becomes part of the estate and is taxed.

HSA funds may be used tax-free to pay outstanding medical expenses for up to one year after death. However, funeral expenses are not considered a qualified expense. That means families may pay taxes on funds that could otherwise help cover funeral costs.

The Problem in Simple Terms

Families can use HSA funds tax-free for: medical procedures, prescriptions, hospital bills and a broad range of healthcare expenses. But they cannot use those same funds tax-free to pay for a funeral.

Funeral expenses are often one of the first financial obligations families face after death. This creates unnecessary financial pressure at the worst possible time.

What the Funeral Coverage Act Does

The *Funeral Coverage Act* would:

- Designate funeral expenses as a qualified HSA expense
- Allow beneficiaries to use up to \$5,000 from an HSA tax-free to pay funeral costs

The bill:

- Maintains existing HSA contribution limits
- Caps the funeral expense provision at \$5,000
- Does not significantly alter savings behavior
- Provides targeted relief for grieving families

This is a narrow, practical update to existing law.

Why This Matters to Families

Funeral expenses are typically paid within days. Families often:

- Use savings
- Rely on credit cards
- Seek payment plans
- Turn to community fundraising or crowdfunding

Allowing limited HSA funds to be used tax-free for funeral expenses:

- Reduces financial strain
- Provides immediate flexibility
- Uses money the individual already saved
- Honors personal financial planning decisions

This is not a new benefit; it simply allows families to use existing savings in a compassionate and practical way.

Why This Matters to Communities

Funeral homes:

- Serve families at their most vulnerable moments
- Provide essential services regardless of financial circumstance
- Often work with families to create manageable payment solutions

This legislation gives families another responsible way to meet their obligations without creating new government spending programs. It is a commonsense, fiscally responsible solution.

The Ask

We respectfully urge you to:

- ✓ Support H.R. 2436
- ✓ Cosponsor the *Funeral Coverage Act*
- ✓ Provide grieving families with a practical, tax-neutral solution

At a time of loss, families should not face unnecessary tax penalties when using their own savings to pay for a funeral.

The *Funeral Coverage Act* is compassionate policy, a practical solution and responsible reform.

Sponsor

Rep. Kevin Hern (R-OK)

Committee Jurisdiction

House Committee on Ways and Means

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