

Senate Ways and Means Committee

Sonja Caldwell 271-2117

SB 635-FN, establishing a health reimbursement arrangement tax credit program.

Hearing Date: January 21, 2026

Members of the Committee Present: Senators Lang, Rosenwald and Fenton, McConkey

Members of the Committee Absent : Senators Murphy and Sullivan

Bill Analysis: This bill establishes a health reimbursement arrangement tax credit program.

Sponsors:

Sen. Ricciardi

Sen. Avard

Sen. McGough

Sen. Watters

Sen. Abbas

Sen. Perkins Kwoka

Rep. Kuttab

Rep. Mary Murphy

Rep. Ohm

Rep. Miles

Rep. Labrie

Who supports the bill: DJ Burke (BIA), John Reynolds (NFIBNH), Daniel Richardson

Who opposes the bill: No one

Who is neutral on the bill: Lauren O'Sullivan (NHDRA)

Summary of testimony presented:

Sen. Ricciardi

- Sen. Ricciardi said the bill establishes a health reimbursement arrangement tax credit program to address the problem of healthcare coverage among the small business community.
- The bill will incentivize an alternative to traditional group coverage. It provides a two-year tax credit for contributions toward an employee's individual coverage HRA as well a qualified employer's HRA.
- She described this as one way for legislators to help constituents, especially small businesses, to address high healthcare costs.
- These are versatile employer-funded accounts that will allow the employee to cover healthcare premiums and expenses. The employee chooses how to spend the money.

- She offered an amendment to correct a technical drafting error.
- She has heard from small business owners about the burden of healthcare. This bill is a step in the right direction to allow small group coverage to get to more of NH's workers and businesses.

John Reynolds – National Federation of Independent Business

- Mr. Reynolds said NFIB represents 1,700 small business owners across NH. 80% of members have fewer than 20 employees.
- In NH, only 1 in 3 small business owners offer small group coverage. Most cannot afford it.
- 98% of their members are concerned that the cost of small group coverage will become out of reach within the next 5 years. Their member surveys show that the cost of employee health insurance is their number one challenge.
- This is a 2-year tax credit designed to incentivize employers to adopt two specific types of health reimbursement. Health reimbursement arrangements (HRA) and health savings accounts (HSA) share similarities. HSAs and HRAs can be used for qualified medical expenses.
- This credit is targeted to businesses who offer two specific types of HRAs: individual HRA and qualified small employer HRA. It allows employees to use those funds for expenses and premiums.
- Those who can't afford to offer coverage now would be helped by this 2-year tax credit to get over the initial startup costs and those who find the small group market not sustainable would also have that same option.

Sen. Fenton asked if this bill excludes self-insured businesses.

Mr. Reynolds said this would not be compatible with a self-insured plan. If a business offered only self-insured group coverage to full-time employees but wanted to offer this type of HRA to part-time employees, they could do that. The credit maxes out and is designed to be targeted to businesses with fewer than 50 employees.

Sen. Rosenwald asked if the key difference between an HRA and HSA is that with an HSA you keep the money if you change jobs.

Mr. Reynolds said an HSA is pre-funded and stays with the employee.

Sen. Rosenwald asked if he agreed that this bill would increase the number of uninsured people in NH. She noted that he mentioned catastrophic plans and said that because those are limited to 6 months of duration and people under age 30, anyone else wouldn't be eligible for that kind of plan. The cost of insurance in the individual market has gone up 114% in NH. More people would become uninsured if businesses dropped employer insurance.

Mr. Reynolds said it is not their intent to compound problems in the small group market. He doesn't think it would decrease the rate of insured people in the state. He thinks if people have this option, it will increase the number of insured. A short-term

plan is not age limited. He thinks people will choose what works best for them financially.

Lauren O’Sullivan – Dept. of Revenue Administration

- Ms. O’Sullivan stated that the DRA has technical concerns.
- As drafted, this would not be a cascading credit, meaning that any credit used to reduce BET liability will reduce the amount of credit available against BPT liability.
- If this is not the intent, language needs to be added to the BET portion of the bill stating that the credit applied to the BET will still be considered “taxes paid” under RSA 77-E.
- She noted that if made cascading, the credit would further reduce BPT revenues such that the fiscal impact could exceed the intended maximum aggregate limit.
- The bill also contains unclear eligibility provisions.
- She explained that a prior version of the bill stated that a qualified taxpayer is one who “has not provided employer health insurance coverage to employees within the last five years.” While that phrase is now removed, the substitution of “by an employer to a qualified account” does not make it more clear and may have been intended to be included at the end of the new, expanded definition of “qualified contribution” which seems to stop short.
- She went on to explain that assuming the replacement was accidental and that the prior language is still intended, the bill requires that the eligible contribution be “equal to, or greater than, the level of benefits provided in the previous benefit year” or “the same (or exceeds) amount contributed per covered individual toward the employer provided health insurance plan during the previous benefit year.” She stated that it is unclear based on those provisions how to interpret the “previous benefit year” given that to be eligible an employer must not have provided such benefits in the last five years. The DRA also believes the insertion of “or exceeds” may also be misplaced.
- The bill also refers to “first year” and “second year” which she said seems to implicitly refer to the first two years of a newly created QSEHRA but the DRA suggests that reference be made explicit.
- The bill also envisions a process whereby taxpayers would receive the credit simply by claiming it on their return. The DRA cannot administer the credit in this fashion. She explained why in great detail.
- In order for them to administer this credit the way they administer other credits, the DRA would need \$40,000.

Sen. Lang said he did not see that the credit has a carryforward provision and asked if that was correct.

Ms. O’Sullivan stated there is a 3-year carryforward provision in the bill.

Sen. Lang said the bill as written authorizes the credit on a first-come first-served basis versus the research and development tax credit, for example, where all of the requests for the credit are aggregated and the amounts are then prorated based on the maximum amount of credit available.

Ms. O'Sullivan said that is correct. With the method in the bill, you encounter timing issues with processing.

Sen. Rosenwald said she understood that the business claims the credit and asked what the employee gets. She asked if they are the one getting \$400 the first year. She asked if there was any requirement for the business to pass that through and how that matches up with cost of health insurance for a family being \$26,000 a year.

Ms. O'Sullivan said she would follow up to provide an answer to that question.

John Reynolds stated that the credit would be for contributions to the account. You wouldn't receive a credit unless you made a contribution to that type of account. He added that this is not meant to be a permanent subsidy or match the cost of health insurance.

Sen. Rosenwald said she couldn't find a requirement or how much money would be passed on to the employee. She asked if the employer could take the \$400 credit and put nothing or a dollar in the employee account.

Mr. Reynolds said no. It is a dollar-for-dollar credit for contributions up to \$400 in the first year and \$200 in the second year.

Mr. Reynolds said he would follow up with the DRA to make this bill workable.