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New Legislation Introduced to Ease Funeral Expenses for Families

Brookfield, Wis. – Families facing the unexpected loss of a loved one may find relief in new legislation introduced in the House of Representatives today. Endorsed by the National Funeral Directors Association, the “Funeral Coverage Act of 2024” (H.R. 7693) introduced by Rep. Kevin Hern (R-OK), would designate funeral expenses as a qualified expense eligible for coverage under Health Savings Accounts (HSAs). This means that families that have saved money for healthcare expenses can use those funds for funeral and burial expenses after the person dies and no longer needs the money for healthcare costs.

If the law allowed funeral expenses to be deemed a qualified expense for which HSA funds could be used, the beneficiary of an HSA could use the proceeds from a decedent's HSA to pay for the funeral on a tax-free basis.

“For many families, funerals are an unexpected expense; this was particularly evident during the COVID-19 pandemic when so many families struggled to pay for a loved one’s final expenses,” said NFDA President Douglas R. “Dutch” Nie II, CFSP, CCO, owner of Nie Family Funeral Home & Cremation Service in Ann Arbor, Michigan. “This legislation offers a compassionate solution to alleviate the financial strain many families face. NFDA and its members are very grateful to Rep. Hern for introducing this important legislation.”

“I’m proud to sponsor this bill that allows beneficiaries to use HSA funds towards certain funeral expenses,” said Hern. “The death of a loved one is already a solemn and stressful time; there is no reason why overly burdensome red tape should get in the way of those facing a tough loss. When hard-working Americans choose to open and contribute to tax-benefitted HSA accounts, they do it so they can choose the best health services for them – both when opening an account and in the future. Death often comes at the end of a battle with one’s health, and we shouldn’t punish their loved ones by excluding funeral expenses from being used from someone’s leftover HSA funds.”

Created in 2003, HSAs enable individuals covered by high-deductible health plans to set aside money on a tax-preferred basis to cover qualified medical expenses. Individuals can make tax-free contributions to an HSA either through an employer or on their own. The current maximum amount that can be contributed to an HSA on an annual basis is \$4,150 for an individual and \$8,050 for a family.

According to the 2023 Devenir & HSA Council Demographic Survey, at the end of 2022 there were 35.5 million HSAs, covering almost 72 million Americans, up from 67 million in 2021. The report further notes that HSAs are utilized across income spectrum; 75% of health savings account holders live in a zip code with a median household income of less than \$100,000.

Like an IRA account, when a person sets up an HSA, they name a beneficiary. If the beneficiary is a surviving spouse, the unused portion of the decedent’s HSA passes directly to the spouse and is added to his or her HSA and incurs no tax liability. However, the immediate need for the spouse is to

pay for a funeral and burial, rather than have excess funds automatically added to their own HSA, this bill would enable surviving spouses to take care of their most immediate need: paying for a funeral and burial

NFDA Senior Vice President, Advocacy Lesley Witter emphasized the significance of the bill, stating, "According to the most recent NFDA Consumer Awareness & Preference Survey, only 17.3% of Americans age 40 and older have preplanned and prepaid for their funeral and burial or cremation, leaving the vast majority citizens financially unprepared should a death occur. This legislation offers American families a new avenue for navigating the complexities associated with the loss of a loved one, enabling them to plan a meaningful service and begin their healing journey without the added burden of financial stress."

NFDA is the world's leading and largest funeral service association, serving more than 20,000 individual members who represent nearly 11,000 funeral homes in the United States and 49 countries around the world. NFDA is the trusted leader, beacon for ethics and the strongest advocate for the profession. NFDA is the association of choice because it offers funeral professionals comprehensive educational resources, tools to manage successful businesses, guidance to become pillars in their communities and the expertise to foster future generations of funeral professionals. NFDA is headquartered in Brookfield, Wis., and has an office in Washington, D.C. For more information, visit www.nfda.org.

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