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Proposal would let employees use tax-free health accounts for fitness costs

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Imagine paying for a yoga class, gym membership or child's soccer cleats with money set aside before taxes in an employer-sponsored account much as many people already do for out-of-pocket medical expenses and child care.

That's what could happen under a proposal gaining bipartisan support in Congress to allow such accounts to be used for exercise-related expenses with the intent of reducing the nation's long-term health care costs by encouraging more activity and fitness.

Known as the PHIT Act, for Personal Health Investment Today, the proposal would enable workers to put up to \$2,000 in health savings or flexible spending accounts to use toward fitness club fees, sports equipment, youth sports league fees, event registration costs and other activities. Individual expenses would be capped at \$250, with some exceptions, such as for home fitness equipment.

"We want to incentivize participation in sports, fitness and active lifestyles," said Tom Cove, CEO of the Sports & Fitness Industry Association, a Silver Spring-based trade group pushing for the bill. "We need to get our country more active, and this is a good way to do it."

More than a quarter of the U.S. population is inactive, with about 18 percent of children in that category, according to the association, which promotes sports participation and whose several hundred members include sports product brands, manufacturers and retailers, including Baltimore-based Under Armour. Kevin Plank, Under Armour's founder and CEO, served on the Sports & Fitness group's board when the PHIT idea first came up years ago.

"Under Armour prides itself on making all athletes better, and we've made it our mission to support many initiatives that encourage physical activity throughout our 20 plus years, including the PHIT Act," Kerry Chandler, the brand's chief human resources officer, said in an email. "Health and fitness have always been core principals close to the brand's heart."

While the accounts could be used for sports- and fitness-specific equipment and apparel — such as baseball or soccer cleats or youth team uniforms, the proposal excludes apparel that could just as easily be a fashion statement, such as golf shirts or running shoes.

Health exchange on pace to meet, exceed enrollment this year

It could boost sales for many companies, but it has also gained support from a broader base of organizations, including the American Heart Association and the National Recreation and Park Association.

The PHIT proposal was last introduced in 2015 by former Rep. Charles W. Boustany Jr., a Louisiana Democrat. It garnered 100 bipartisan co-sponsors in both the House and Senate, including Maryland's Rep. C.A. Dutch Ruppersberger, a Baltimore County Democrat, and former Rep. Donna F. Edwards, a Democrat from Prince George's County, but failed to pass.

Rep. Jason Smith, a Missouri Republican, is expected to introduce another PHIT bill late this month or in early February, and advocates hope it could gain traction as the Republican Congress looks to repeal and replace the Affordable Care Act.

Ruppersberger, who said he would sign on again as a co-sponsor, called the proposal a "common sense tax incentive to promote exercise."

"It decreases the cost of becoming physically active," and could reduce an individual's fitness and sports-related expenses by 20 percent to 30 percent, he said. Reversing a growing trend of inactivity, which has led to an increase in chronic diseases and skyrocketing health care costs, will ultimately reduce those costs, he said.

Maryland Rep. Andy Harris, a Republican, also favors the idea.

"I am supportive of allowing people to use the flexible spending account on expenses that keep people healthy," he said in an email.

The Congressional Joint Committee on Taxation estimated the pre-tax accounts would lead to \$2.5 billion in lost tax revenue over 10 years. Proponents argue that giving people incentives to invest in healthier lifestyles will reduce health care costs by much more in the long run.

The World Health Organization reports that future medical spending would decrease by \$3.20 for every \$1 invested in activity. That would mean an \$8 billion reduction in medical spending, bill supporters say.

But not everyone sees the proposal as a good idea.

"This bill is kind of silly," said Michael Cannon, director of health policy studies at the Cato Institute, a conservative think tank.

Lines between legitimate and non-legitimate fitness expenses can be easily blurred, with makers of running shoes potentially arguing that their products should be sold tax-free, he said.

"You're just stretching it a little too far," Cannon said. "This legislation shows why having any tax breaks for certain types of consumption is silly, because the definition of that consumption gets stretched beyond recognition."

Roberton Williams, a senior fellow at the Tax Policy Center, said the bill would help the people who are already exercising. Poor people wouldn't be able to afford to put the money aside in flexible spending accounts, he said.

It is an argument often brought up about health spending accounts. People who have them tend to have the money to put aside.

"The idea is to encourage people to get out and exercise," Williams said. "The big problem is the fact that it has a particular purpose, but it will provide a lot of windfall and benefits to people who are already doing what they should."

A better alternative, he said, would be to give people a credit or subsidized membership.

"If you really want to encourage people to do something, say here is a free membership," Williams said.

But Mark Miller, chief operating officer of Merritt Clubs, which operates nine fitness centers in the Baltimore region, said PHIT could boost the number of people who join or regularly use health clubs. Miller said he sees room for the 18 percent of people who belong to health clubs to grow if people feel they can save money on fees often viewed as a luxury, not a necessity.

"We clearly have an epidemic of obesity going on with a sedentary lifestyle," Miller said. "This allows individuals to ... really make the investment in their health."

Barbara Dobberthien, executive director and chief operating officer of the Yoga Alliance, which represents 80,000 yoga teachers and 5,000 yoga schools, envisions workers using the funds to take classes, join a yoga studio or train to teach.

"We know yoga is popular, and for many, many Americans, this would open the door for more people to get access to yoga," she said.

She said people generally start yoga to improve flexibility, relieve stress and improve physical fitness and overall health.

"These are all benefits to stave off chronic conditions associated with lack of physical activity," Dobberthien said. "It puts the consumer in the driver seat to decide how they take those funds and use them for the betterment of their own health or their children's health — or both."

The National Council of Youth Sports supports the proposal because it would make children's sports more affordable for parents if they could set aside money tax-free for registrations and equipment, said Sally Johnson, executive director of the Florida-based council, which represents groups such as Little League Baseball, Pop Warner football, Boys & Girls Clubs of America and programs for swimming, gymnastics and other sports.

Costs associated with sports "are often barriers to play as it becomes more and more expensive" and as more schools require fees for school-based sports programs, Johnson said.

"With obesity rates on the rise, and trying to maintain a culture that embraces physical activity, this particular bill would help ease the financial burden on families with children who want to participate in these sports," Johnson said.

The Sports & Fitness association sees youth participation as a linchpin to future health care savings.

"If you grow up without physical education and you don't play sports, you will identify as non-active, and it's harder to get active," Cove said.

The group is optimistic about getting the idea through Congress because PHIT is one of the few health care measures with strong bipartisan support at a time when health care is shifting to a focus on prevention, said Bill Sells, the association's senior vice president of government relations.

Cove called the PHIT proposal a logical next step as employers and insurers try to get people to change risky behaviors and increase physical activity through such initiatives as safe driver discounts and health insurance discounts for completing smoking cessation programs.

"The prospects for passage are very good," Cove said.