

106TH CONGRESS  
2D SESSION

# H. R. 4925

To amend the Internal Revenue Code of 1986 to allow more equitable and direct tax relief for health insurance and medical care expenses, to give Americans more options for obtaining quality health care, and to expand insurance coverage to the uninsured.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 24, 2000

Mr. COOKSEY, (for himself, Mr. ARMEY, Mr. EHRLICH, Mr. BRYANT, Mr. GOODE, Mr. CANNON, Mr. TRAFICANT, Mr. SHADEGG, Mr. ENGLISH, Mrs. MYRICK, Mr. FLETCHER, Mrs. FOWLER, Mr. DOOLITTLE, Mr. TAUZIN, Ms. GRANGER, Mr. JENKINS, Mr. JONES of North Carolina, Mrs. KELLY, Mr. LINDER, Mrs. CUBIN, and Mr. SESSIONS) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow more equitable and direct tax relief for health insurance and medical care expenses, to give Americans more options for obtaining quality health care, and to expand insurance coverage to the uninsured.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

### 3   **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Patient Access, Choice,  
5   and Equity Act of 2000”.

1 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH INSURANCE**  
 2 **COVERAGE.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-  
 4 chapter A of chapter 1 of the Internal Revenue Code of  
 5 1986 (relating to refundable credits) is amended by redес-  
 6 ignating section 35 as section 36 and by inserting after  
 7 section 34 the following new section:

8 **“SEC. 35. HEALTH INSURANCE COSTS.**

9 “(a) IN GENERAL.—In the case of a qualified indi-  
 10 vidual, there shall be allowed as a credit against the tax  
 11 imposed by this subtitle the fixed-amount health credit de-  
 12 termined under subsection (b) or, if the taxpayer elects  
 13 in lieu thereof, the percentage health credit determined  
 14 under subsection (c).

15 “(b) FIXED AMOUNT HEALTH CREDIT.—For pur-  
 16 poses of subsection (a)—

17 “(1) IN GENERAL.—The fixed-amount health  
 18 credit is an amount equal to the amount paid by the  
 19 taxpayer during the taxable year for qualified health  
 20 insurance for the taxpayer, his spouse, and depend-  
 21 ents.

22 “(2) LIMITATIONS.—

23 “(A) IN GENERAL.—The amount allowed  
 24 as a credit under paragraph (1) to the taxpayer  
 25 for the taxable year shall not exceed the lesser  
 26 of—

1 “(i) the sum of the monthly limita-  
2 tions for coverage months during such tax-  
3 able year for each individual referred to in  
4 paragraph (1), or

5 “(ii) \$3,000.

6 “(B) MONTHLY LIMITATION.—

7 “(i) IN GENERAL.—The monthly limi-  
8 tation for an individual for each coverage  
9 month of such individual during the tax-  
10 able year is the amount equal to  $\frac{1}{12}$  of—

11 “(I) \$1,000 if such individual is  
12 the taxpayer,

13 “(II) \$1,000 if—

14 “(aa) such individual is the  
15 spouse of the taxpayer,

16 “(bb) the taxpayer and such  
17 spouse are married as of the first  
18 day of such month, and

19 “(cc) the taxpayer files a  
20 joint return for the taxable year,  
21 and

22 “(III) \$500 if such individual is  
23 an individual for whom a deduction  
24 under section 151(c) is allowable to  
25 the taxpayer for such taxable year.

1 “(ii) SPECIAL RULE FOR MARRIED IN-  
2 DIVIDUALS.—In the case of an  
3 individual—

4 “(I) who is married (within the  
5 meaning of section 7703) as of the  
6 close of the taxable year but does not  
7 file a joint return for such year, and

8 “(II) who does not live apart  
9 from such individual’s spouse at all  
10 times during the taxable year,  
11 the limitation imposed by clause (i)(III)  
12 shall be divided equally between the indi-  
13 vidual and the individual’s spouse unless  
14 they agree on a different division.

15 “(3) DENIAL OF CREDIT IF CONTRIBUTION  
16 MADE TO MEDICAL SAVINGS ACCOUNT.—No credit  
17 shall be allowed under this subsection with respect  
18 to any individual who makes a contribution to a  
19 medical savings account (as defined in section  
20 220(d)).

21 “(c) PERCENTAGE HEALTH CREDIT.—For purposes  
22 of subsection (a)—

23 “(1) IN GENERAL.—The percentage health  
24 credit is an amount equal to the sum of—

1 “(A) the applicable percentage of the sum  
2 of—

3 “(i) 25 percent of the qualified med-  
4 ical expenses incurred by the taxpayer, his  
5 spouse, and dependents during any cov-  
6 erage month and paid by such taxpayer  
7 during the taxable year which does not ex-  
8 ceed 5 percent of the adjusted gross in-  
9 come of such taxpayer for such year,

10 “(ii) 40 percent of such expenses so  
11 incurred and paid which exceeds 5 percent  
12 but does not exceed 15 percent of such ad-  
13 justed gross income, plus

14 “(iii) 60 percent of such expenses so  
15 incurred and paid which exceeds 15 per-  
16 cent of such adjusted gross income, plus

17 “(B) 25 percent of the qualified medical  
18 savings account contributions.

19 “(2) LIMITATIONS.—

20 “(A) IN GENERAL.—The credit allowed  
21 under paragraph (1) for a taxable year shall  
22 not exceed the sum of—

23 “(i) the tax imposed by this chapter  
24 for the taxable year on the taxpayer, his  
25 spouse, and dependents with respect to

whom such credit is allowed, reduced by the credits allowable against such tax (other than the credits allowable under this subpart), plus

“(ii) the tax imposed by sections 1401, 3101, 3111, 3201(a), 3211(a)(1), 3221(a) for the taxable year with respect to such taxpayer, spouse, and dependents.

“(B) DOLLAR LIMITATION.—The amount allowed as a credit under paragraph (1)(A) for a taxable year shall not exceed \$12,500 (\$6,250 in the case of a married individual filing a separate return).

“(C) COORDINATION WITH SPECIAL REFUND OF SOCIAL SECURITY TAXES.—The taxes referred to in subparagraph (A)(ii) shall not include any amount to which the taxpayer, his spouse, or dependents is entitled to a special refund under section 6413(c).

“(D) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes imposed by sections 3101, 3111, 3201(a), and 3221(a)

1           shall be treated as taxes referred to in subpara-  
2           graph (A)(ii).

3           “(3) QUALIFIED MEDICAL SAVINGS ACCOUNT  
4           CONTRIBUTIONS.—The term ‘qualified medical sav-  
5           ings account contributions’ means a payment to a  
6           medical savings account if a deduction would (but  
7           for section 220(k)) be allowed under section 220 to  
8           the taxpayer for such payment for the taxable year  
9           to the medical savings account of an individual.

10          “(4) SPECIAL RULE IN THE CASE OF CHILD OF  
11          DIVORCED PARENTS, ETC.—For purposes of this  
12          subsection, any child to whom section 152(e) applies  
13          shall be treated as a dependent of both parents.

14          “(d) DEFINITIONS.—For purposes of this section—

15               “(1) QUALIFIED INDIVIDUAL.—The term ‘quali-  
16               fied individual’ means an individual who is a citizen  
17               or national of the United States or is a lawful per-  
18               manent resident of the United States (as defined in  
19               section 7701(b)(6)).

20               “(2) QUALIFIED HEALTH INSURANCE.—The  
21               term ‘qualified health insurance’ means insurance—

22                       “(A) which is—

23                               “(i) health insurance coverage, as de-  
24                               fined by section 9832(b)(1), or

1 “(ii) insurance which constitutes med-  
 2 ical care under a group health plan (as de-  
 3 fined by section 5000(b)(1)), other than  
 4 insurance a substantial portion of which  
 5 consists of excepted benefits (as defined by  
 6 section 9832(c)), and

7 “(B) under which the annual out-of-pocket  
 8 expenses required to be paid (other than for  
 9 premiums) for covered benefits does not  
 10 exceed—

11 “(i) \$4,000 for self-only coverage, and

12 “(ii) \$6,000 for family coverage.

13 “(3) QUALIFIED MEDICAL EXPENSES.—

14 “(A) IN GENERAL.—The term ‘qualified  
 15 medical expenses’ means, with respect to a  
 16 qualified individual, amounts paid by such indi-  
 17 vidual for medical care for such individual, the  
 18 spouse of such individual, and any dependent  
 19 (as defined in section 152) of such individual,  
 20 but only to the extent such amounts are not  
 21 compensated for by insurance or otherwise.

22 “(B) REDUCTION FOR AMOUNTS DISTRIB-  
 23 UTED FROM MSA’S.—Such term shall not in-  
 24 clude any distribution from a medical savings



1 account which is not includible in gross income  
2 by reason of section 220(f)(1).

3 “(C) APPLICABLE RULES.—For purposes  
4 of subparagraph (A), rules similar to the rules  
5 of subsections (b) and (c) of section 213 shall  
6 apply.

7 “(4) MEDICAL CARE.—The term ‘medical care’  
8 has the meaning given to such term in section  
9 213(d) determined without regard to—

10 “(A) paragraph (1)(C) thereof, and

11 “(B) so much of paragraph (1)(D) thereof  
12 as relates to qualified long-term care insurance.

13 “(5) COVERAGE MONTH.—

14 “(A) IN GENERAL.—The term ‘coverage  
15 month’ means, with respect to an individual,  
16 any month if as of the first day of such month  
17 such individual is covered by qualified health in-  
18 surance.

19 “(B) MEDICARE, MEDICAID, AND STATE  
20 CHILDRENS’ HEALTH INSURANCE PROGRAM.—  
21 Such term shall not include any month with re-  
22 spect to an individual if, as of the first day of  
23 such month, such individual—

24 “(i) is entitled to any benefits under  
25 title XVIII of the Social Security Act,

1           “(ii) is a participant in the program  
2           under title XIX of such Act, or

3           “(iii) is a participant in the program  
4           under title XXI of such Act.

5           “(C) CERTAIN OTHER COVERAGE.—Such  
6           term shall not include any month during a tax-  
7           able year with respect to an individual if, at any  
8           time during such month—

9           “(i) such individual is enrolled in a  
10           program to receive benefits under chapter  
11           55 of title 10, United States Code,

12           “(ii) any benefit is provided to such  
13           individual under chapter 17 of title 38,  
14           United States Code, or

15           “(iii) any benefit is provided to such  
16           individual under any medical care program  
17           under the Indian Health Care Improve-  
18           ment Act.

19           “(D) PRISONERS.—Such term shall not in-  
20           clude any month with respect to an individual  
21           if, as of the first day of such month, such indi-  
22           vidual is imprisoned under Federal, State, or  
23           local authority.

24           “(e) SPECIAL RULES.—For purposes of this  
25           section—

1           “(1) NONRESIDENT ALIENS.—If the taxpayer is  
2           a nonresident alien individual for any portion of the  
3           taxable year, this section shall apply only if such in-  
4           dividual is treated as a resident alien of the United  
5           States for purposes of this chapter by reason of an  
6           election under subsection (g) or (h) of section 6013.

7           “(2) DENIAL OF CREDIT TO DEPENDENTS.—No  
8           credit shall be allowed under this section to any indi-  
9           vidual with respect to whom a deduction under sec-  
10          tion 151 is allowable to another taxpayer for a tax-  
11          able year beginning in the calendar year in which  
12          such individual’s taxable year begins.

13          “(3) NO OTHER CREDIT ALLOWED WITH RE-  
14          SPECT TO DEPENDENT IF FIXED CREDIT AL-  
15          LOWED.—If a credit is allowed to a taxpayer for a  
16          taxable year under subsection (b) with respect to a  
17          dependent, no credit with respect to such dependent  
18          shall be allowed under this section for such taxable  
19          year to any other taxpayer.

20          “(4) IDENTIFICATION NUMBER REQUIRE-  
21          MENT.—No credit shall be allowed under this section  
22          with respect to an eligible individual who does not  
23          include on the return of tax for the taxable year—

24                  “(A) such individual’s taxpayer identifica-  
25                  tion number,

1           “(B) if the individual is married (within  
2           the meaning of section 7703), the taxpayer  
3           identification number of such individual’s  
4           spouse, and

5           “(C) the name, age, and taxpayer identi-  
6           fication number of each dependent with respect  
7           to whom a credit is claimed under this section.

8           “(5) COORDINATION WITH ADVANCE PAY-  
9           MENT.—Rules similar to the rules of section 32(g)  
10          shall apply to any credit to which this section ap-  
11          plies.

12          “(6) TREATMENT OF AMOUNTS PAID BY EM-  
13          PLOYER.—Amounts paid by an employer for cov-  
14          erage under an accident or health plan which con-  
15          stitutes medical care for a taxpayer, his spouse and  
16          dependents, which would (but for section 106(d)) be  
17          excludable from gross income shall be treated as  
18          paid by the taxpayer.

19          “(7) COST-OF-LIVING ADJUSTMENT.—

20                 “(A) IN GENERAL.—In the case of any  
21                 taxable year beginning in a calendar year after  
22                 2002, each dollar amount contained in sub-  
23                 sections (b)(2)(A)(ii), (b)(2)(B), (c)(2)(B), and  
24                 (d)(2)(B) shall be increased by the medical care  
25                 cost adjustment of such amount for such cal-

endar year. If any increase determined under the preceding sentence is not a multiple of \$50, such increase shall be rounded to the nearest multiple of \$50.

“(B) MEDICAL CARE COST ADJUSTMENT.—For purposes of subparagraph (A), the medical care cost adjustment for any calendar year is the percentage (if any) by which—

“(i) the medical care component of the Consumer Price Index (as defined in section 1(f)(5)) for August of the preceding calendar year, exceeds

“(ii) such component for August of 2001.

“(f) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIMED CREDIT IN PRIOR YEAR.—

“(1) TAXPAYERS MAKING PRIOR FRAUDULENT OR RECKLESS CLAIMS.—

“(A) IN GENERAL.—No credit shall be allowed under this section for any taxable year in the disallowance period.

“(B) DISALLOWANCE PERIOD.—For purposes of subparagraph (A), the disallowance period is the period of 2 taxable years after the most recent taxable year for which there was a

1 final determination that the taxpayer's claim of  
 2 credit under this section was due to fraud or  
 3 reckless or intentional disregard of rules and  
 4 regulations.

5 “(2) TAXPAYERS MAKING IMPROPER PRIOR  
 6 CLAIMS.—In the case of a taxpayer who is denied  
 7 credit under this section for any taxable year as a  
 8 result of the deficiency procedures under subchapter  
 9 B of chapter 63, no credit shall be allowed under  
 10 this section for any subsequent taxable year unless  
 11 the taxpayer provides such information as the Sec-  
 12 retary may require to demonstrate eligibility for  
 13 such credit.

14 “(g) DENIAL OF DOUBLE BENEFIT.—No credit shall  
 15 be allowed under this section for any expense for which  
 16 a deduction or credit is allowed under any other provision  
 17 of this chapter.”.

18 (b) CLERICAL AMENDMENT.—The table of sections  
 19 for subpart C of part IV of subchapter A of chapter 1  
 20 of the Internal Revenue Code of 1986 is amended by strik-  
 21 ing the item relating to section 35 and inserting the fol-  
 22 lowing new items:

“Sec. 35. Health insurance costs.  
 “Sec. 36. Overpayments of tax.”.

23 (c) APPROPRIATIONS FOR REFUND.—Section  
 24 1324(b)(2) of title 31, United States Code, is amended

1 by inserting before the period “, or of sections 35 and 36  
2 of such Code”.

3 (d) REPORT ON SUITABLE INDEX FOR INFLATION  
4 ADJUSTMENT.—If the Bureau of Labor Statistics of the  
5 Department of Commerce begins publishing a component  
6 of the consumer price index which tracks health insurance  
7 other than Medicare, the Secretary of the Treasury shall  
8 submit a report to the Congress on the suitability of  
9 changing the index referred to in section 35(e)(7)(B) of  
10 the Internal Revenue Code of 1986 (other than for pur-  
11 poses of subsection (c)(2)(B) of such section), as added  
12 by this section, to such component.

13 (e) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to taxable years beginning after  
15 December 31, 2001.

16 **SEC. 3. ADVANCE PAYMENT OF CREDIT FOR PURCHASERS**  
17 **OF QUALIFIED HEALTH INSURANCE.**

18 (a) IN GENERAL.—Chapter 77 of the Internal Rev-  
19 enue Code of 1986 (relating to miscellaneous provisions)  
20 is amended by adding at the end the following new section:

21 **“SEC. 7527. ADVANCE PAYMENT OF HEALTH INSURANCE**  
22 **CREDIT FOR PURCHASERS OF QUALIFIED**  
23 **HEALTH INSURANCE.**

24 “(a) GENERAL RULE.—

1           “(1) PAYMENTS BY SECRETARY.—In the case  
2           of an eligible individual, the Secretary shall make  
3           payments—

4                   “(A) in the case of an employee covered by  
5                   qualified health insurance of, or contributed to  
6                   by, the employer (other than insurance which  
7                   constitutes a self-insured group health plan), to  
8                   the employer if the employer elects the applica-  
9                   tion of this section,

10                   “(B) in the case of an employee covered by  
11                   qualified health insurance of, or contributed to  
12                   by, the employer which constitutes a self-in-  
13                   sured group health plan, to the employer, and

14                   “(C) in any other case, to the health insur-  
15                   ance issuer of qualified health insurance of such  
16                   individual.

17           “(2) AMOUNT OF PAYMENTS.—Payments under  
18           paragraph (1) shall be made in an amount equal to  
19           the qualified health insurance credit advance amount  
20           of such individual.

21           “(3) PAYMENTS TO BE TREATED AS PAYMENTS  
22           OF WITHHOLDING AND FICA TAXES.—

23                   “(A) PAYMENTS MADE FROM CERTAIN  
24                   TAXES OWED.—With respect to any payment  
25                   under paragraph (1), rules similar to the rules



1 of sections 3507(d) (1) and (4) shall apply. In  
2 the case of payments to a health insurance  
3 issuer with respect to an individual who is not  
4 an employee of such issuer, rules under the pre-  
5 ceding sentence shall be applied to any amounts  
6 for which such issuer is liable under section  
7 3401, 3102, and 3111.

8 “(B) DIFFERENCE PAYABLE IN CASH.—In  
9 the case of any employer or health insurance  
10 issuer, if for any month the aggregate payment  
11 to such employer or issuer by reason of the pre-  
12 ceding sentence is less than the aggregate quali-  
13 fied health insurance credit advance amount,  
14 the Secretary shall pay the difference directly to  
15 such employer or issuer (as the case may be).  
16 For purposes of this subparagraph, the Sec-  
17 retary may require the employer and the health  
18 insurance issuer to provide such additional in-  
19 formation as the Secretary determines appro-  
20 priate.

21 “(4) TRANSFER TO TRUST FUNDS.—The Sec-  
22 retary shall transfer from the general fund to the  
23 Old-Age, Survivors, and Disability Insurance Trust  
24 Fund and to the Hospital Insurance Trust Fund  
25 amounts equivalent to the amount of the reduction

1 in taxes imposed by chapter 21 by reason of para-  
2 graph (3). Any such transfer shall be made at the  
3 same time the reduced taxes would have been depos-  
4 ited in either such Trust Fund.

5 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this  
6 section, the term ‘eligible individual’ means any  
7 individual—

8 “(1) who purchases qualified health insurance,  
9 and

10 “(2) for whom a qualified health insurance  
11 credit eligibility certificate is in effect.

12 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-  
13 BILITY CERTIFICATE.—

14 “(1) IN GENERAL.—For purposes of this sec-  
15 tion, a qualified health insurance credit eligibility  
16 certificate is a statement furnished by an individual  
17 to the employer or the health insurance issuer  
18 which—

19 “(A) certifies that the individual will be eli-  
20 gible to receive the credit provided by section  
21 35(b) for the taxable year,

22 “(B) estimates the amount of such credit  
23 for such taxable year,

1           “(C) contains the name, address, and TIN  
2           of each individual who is obtaining coverage  
3           under such certificate,

4           “(D) certifies that no individual described  
5           in subparagraph (C) has another health insur-  
6           ance credit eligibility certificate in effect, and

7           “(E) provides such other information as  
8           the Secretary may require for purposes of this  
9           section.

10          “(2) CERTIFICATE IN EFFECT.—A qualified  
11          health insurance credit eligibility certificate shall  
12          take effect on the first day of a coverage month (as  
13          defined in section 35(d)) and shall remain in effect  
14          with respect to the individual until the earlier of rev-  
15          ocation by the individual, another such certificate  
16          takes effect under this section with respect to the in-  
17          dividual, or cancellation of the qualified health insur-  
18          ance by the issuer or the employer.

19          “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-  
20          VANCE AMOUNT.—For purposes of this section, the term  
21          ‘qualified health insurance credit advance amount’ means,  
22          with respect to any employer or issuer of qualified health  
23          insurance, the Secretary’s estimate of the amount of credit  
24          allowable under section 35(b) to the individual for the tax-

1 able year which is attributable to the insurance provided  
 2 to the individual by such employer or issuer.

3 “(e) REQUIRED DOCUMENTATION FOR RECEIPT OF  
 4 PAYMENTS OF ADVANCE AMOUNT.—No payment of a  
 5 qualified health insurance credit advance amount with re-  
 6 spect to any eligible individual may be made under sub-  
 7 section (a) unless the employer or health insurance issuer  
 8 (as the case may be)—

9 “(1) provides to the Secretary the qualified  
 10 health insurance credit eligibility certificate of such  
 11 individual, and

12 “(2) agrees to provide the return relating to  
 13 such individual under section 6050T (or with respect  
 14 to such employer or issuer, an agreement relating to  
 15 such individual is in effect under section 6050T(e)).

16 “(f) QUALIFIED HEALTH INSURANCE.—For pur-  
 17 poses of this section, the term ‘qualified health insurance’  
 18 has the meaning given to such term by section 35(d).

19 “(g) REGULATIONS.—The Secretary shall prescribe  
 20 such regulations as may be necessary to carry out the pur-  
 21 poses of this section.”.

22 (b) CLERICAL AMENDMENT.—The table of sections  
 23 for chapter 77 of such Code is amended by adding at the  
 24 end the following new item:

“Sec. 7527. Advance payment of health insurance credit for pur-  
 chasers of qualified health insurance.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall take effect on January 1, 2002.

3 **SEC. 4. INFORMATION REPORTING.**

4 (a) IN GENERAL.—Subpart B of part III of sub-  
 5 chapter A of chapter 61 of the Internal Revenue Code of  
 6 1986 (relating to information concerning transactions  
 7 with other persons) is amended by inserting after section  
 8 6050S the following new section:

9 **“SEC. 6050T. RETURNS RELATING TO PAYMENTS FOR**  
 10 **QUALIFIED HEALTH INSURANCE.**

11 “(a) IN GENERAL.—Any person who, in connection  
 12 with a trade or business conducted by such person, re-  
 13 ceives payments during any calendar year—

14 “(1) from any person for coverage of such per-  
 15 son or any other person under qualified health insur-  
 16 ance, or

17 “(2) under section 7527 with respect to a quali-  
 18 fied health insurance credit eligibility certificate,  
 19 shall make the return described in subsection (b) (at such  
 20 time as the Secretary may by regulations prescribe) with  
 21 respect to each person from whom any such payment is  
 22 received.

23 “(b) FORM AND MANNER OF RETURNS.—A return  
 24 is described in this subsection if such return—

1           “(1) is in such form as the Secretary may pre-  
2       scribe, and

3           “(2) contains—

4               “(A) the name, address, and TIN of the  
5       person from whom payments described in sub-  
6       section (a) were received, and the aggregate  
7       amounts of such payments,

8               “(B) the name, address, and TIN of each  
9       individual who was provided by such person  
10      with coverage under qualified health insurance  
11      by reason of such payments and the period of  
12      such coverage,

13              “(C) the coverage months (as defined in  
14      section 35(d)) of each individual described in  
15      subparagraph (A) and (B),

16              “(D) the amounts advanced to such person  
17      from the Secretary under section 7527 as pre-  
18      mium payments for such insurance, and

19              “(E) such other information as the Sec-  
20      retary may reasonably prescribe.

21       “(c) QUALIFIED HEALTH INSURANCE.—For pur-  
22      poses of this section, the term ‘qualified health insurance’  
23      means qualified health insurance (as defined in section  
24      35(d)) other than, to the extent provided in regulations  
25      prescribed by the Secretary, any other insurance covering

1 an individual if no credit is allowable under section 35  
2 with respect to such coverage.

3 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-  
4 UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
5 QUIRED.—Every person required to make a return under  
6 subsection (a) shall furnish to each individual whose name  
7 is required under subsection (b)(2)(A) to be set forth in  
8 such return a written statement showing—

9 “(1) the name and address of the person re-  
10 quired to make such return and the phone number  
11 of the information contact for such person,

12 “(2) the aggregate amount of payments de-  
13 scribed in subsection (a) received by the person re-  
14 quired to make such return from the individual to  
15 whom the statement is required to be furnished, and

16 “(3) the information required under subsections  
17 (b)(2)(B), (C), (D), and (E) with respect to such  
18 payments.

19 The written statement required under the preceding sen-  
20 tence shall be furnished on or before January 31 of the  
21 year following the calendar year for which the return  
22 under subsection (a) is required to be made.

23 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE  
24 MADE BY 2 OR MORE PERSONS.—A person required to  
25 make a return under subsection (a) (but for this sub-

1 section) shall not be required to make such return if,  
 2 under such regulations as the Secretary shall prescribe,  
 3 such person has entered into an agreement with another  
 4 person to make the return required by subsection (a).”.

5 (b) ASSESSABLE PENALTIES.—

6 (1) Subparagraph (B) of section 6724(d)(1) of  
 7 such Code (relating to definitions) is amended by re-  
 8 designating clauses (xi) through (xvii) as clauses  
 9 (xii) through (xviii), respectively, and by inserting  
 10 after clause (x) the following new clause:

11 “(xi) section 6050T (relating to re-  
 12 turns relating to payments for qualified  
 13 health insurance),”.

14 (2) Paragraph (2) of section 6724(d) of such  
 15 Code is amended by striking “or” at the end of the  
 16 next to last subparagraph, by striking the period at  
 17 the end of the last subparagraph and inserting “,  
 18 or”, and by adding at the end the following new sub-  
 19 paragraph:

20 “(BB) section 6050T(d) (relating to re-  
 21 turns relating to payments for qualified health  
 22 insurance).”.

23 (c) CLERICAL AMENDMENT.—The table of sections  
 24 for subpart B of part III of subchapter A of chapter 61  
 25 of such Code is amended by inserting after the item relat-



1 ing to section 6050S the following new item:

“Sec. 6050T. Returns relating to payments for qualified health insurance.”.

2 (d) EFFECTIVE DATE.—The amendments made by  
3 this section shall apply to taxable years beginning after  
4 December 31, 2001.

5 **SEC. 5. CREDIT FOR CERTAIN EMPLOYMENT TAXES WITH**  
6 **RESPECT TO FORMERLY EXCLUDABLE**  
7 **HEALTH INSURANCE COSTS.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-  
9 chapter A of chapter 1 of such Code (relating to business  
10 related credits) is amended by adding at the end the fol-  
11 lowing:

12 **“SEC. 45D. CREDIT FOR CERTAIN EMPLOYMENT TAXES**  
13 **WITH RESPECT TO FORMERLY EXCLUDABLE**  
14 **HEALTH INSURANCE COSTS.**

15 “(a) GENERAL RULE.—For purposes of section 38,  
16 in the case of an employer, the former health exclusion  
17 credit determined under this section for the taxable year  
18 is the aggregate of the creditable employee amounts.

19 “(b) CREDITABLE EMPLOYEE AMOUNT.—For pur-  
20 poses of subsection (a)—

21 “(1) IN GENERAL.—The term ‘creditable em-  
22 ployee amount’ means, with respect to each covered  
23 employee, the employer tax on the formerly exclud-

1       able health costs of the covered employee’s wages or  
2       compensation (as the case may be).

3               “(2) EMPLOYER TAX ON THE FORMERLY EX-  
4       CLUDABLE HEALTH COSTS.—The term ‘employer tax  
5       on the formerly excludable health costs’ means the  
6       amount equal to the excess of—

7               “(A) the tax imposed under section 3111  
8       or 3221(a) on wages or compensation (as the  
9       case may be) of the employee for the calendar  
10      year ending in or with the end of the taxable  
11      year of the employer, over

12              “(B) such tax for such calendar year which  
13      would be imposed on—

14              “(i) wages or compensation (as the  
15      case may be) of such employee, if such  
16      wages or compensation were reduced by

17              “(ii) the total amount of the em-  
18      ployer-provided coverage under an accident  
19      or health plan which would have been ex-  
20      cludable from the gross income of such em-  
21      ployee under section 106 but for section  
22      106(d).

23              “(3) COVERED EMPLOYEE.—The term ‘covered  
24      employee’ means an individual who—

1           “(A) was employed by the employer on  
2           January 1, 2001,

3           “(B) was covered at all times during cal-  
4           endar year 2001 by such employer’s employer-  
5           provided coverage under an accident or health  
6           plan which is excludable from the gross income  
7           of such individual under section 106, and

8           “(C) for the period—

9                   “(i) beginning on January 1, 2002,  
10                  and

11                   “(ii) ending on the day before the  
12                  first day such person is not covered by  
13                  such employer’s employer-provided cov-  
14                  erage for an accident or health plan which  
15                  would have been excludable from the gross  
16                  income of such individual under section  
17                  106 but for section 106(d).

18           “(4) WAGES AND COMPENSATION.—The terms  
19           ‘wages’ and ‘compensation’ shall have the meaning  
20           given to such terms by sections 3121(a) and  
21           3231(e), respectively.

22           “(c) SPECIAL RULES.—

23                   “(1) SPECIAL RULE CONCERNING SELF-EM-  
24                  PLOYED.—The term ‘employer’ shall not include an

1 individual who is an employee within the meaning of  
 2 section 401(c)(1).

3 “(2) CERTAIN RULES MADE APPLICABLE.—For  
 4 purposes of this section, rules similar to the rules of  
 5 paragraphs (1) and (2) of section 41(f) shall apply.

6 “(d) NOTICE OF VALUE OF HEALTH INSURANCE  
 7 COVERAGE.—No credit shall be allowed under subsection  
 8 (a) to an employer unless such employer notifies (in the  
 9 manner the Secretary shall provide) each individual who  
 10 is an employee of the employer during calendar year 2001  
 11 of the aggregate value of the applicable premiums (as de-  
 12 fined by section 4980B(f)(4)) provided to the employee  
 13 during such calendar year.

14 “(e) TERMINATION.—This section shall not apply to  
 15 taxable years beginning after December 31, 2003.”.

16 (b) CURRENT YEAR BUSINESS CREDIT CALCULA-  
 17 TION.—Section 38(b) of such Code (relating to current  
 18 year business credit) is amended by striking “plus” at the  
 19 end of paragraph (11), by striking the period at the end  
 20 of paragraph (12) and inserting “, plus”, and by adding  
 21 at the end the following:

22 “(13) the former health exclusion credit deter-  
 23 mined under section 45D(a).”.

24 (c) LIMITATION ON CARRYBACK.—Subsection (d) of  
 25 section 39 of such Code (relating to carryback and

1 carryforward of unused credits) is amended by adding at  
 2 the end the following:

3           “(9) NO CARRYBACK OF FORMER HEALTH EX-  
 4           CLUSION CREDIT BEFORE EFFECTIVE DATE.—No  
 5           amount of unused business credit available under  
 6           section 45D may be carried back to a taxable year  
 7           beginning on or before the date of the enactment of  
 8           this paragraph.”.

9           (d) CLERICAL AMENDMENT.—The table of sections  
 10 for subpart D of part IV of subchapter A of chapter 1  
 11 of such Code is amended by inserting after the item relat-  
 12 ing to section 45C the following:

“Sec. 45D. Credit for certain employment taxes with respect to  
 formerly excludable health insurance costs.”.

13           (e) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to taxable years beginning after  
 15 December 31, 2001.

16 **SEC. 6. ADDITIONAL PROVISIONS.**

17           (a) TERMINATION OF EXCLUSION FROM GROSS IN-  
 18 COME FOR EMPLOYER-PROVIDED HEALTH CARE COV-  
 19 ERAGE.—Section 106 of the Internal Revenue Code of  
 20 1986 (relating to contributions by employer to accident  
 21 and health plans) is amended by adding at the end the  
 22 following new subsection:

1       “(d) INCLUSION OF INSURANCE CONSTITUTING  
2 MEDICAL CARE (OTHER THAN LONG-TERM CARE INSUR-  
3 ANCE).—

4               “(1) IN GENERAL.—Subsection (a) shall not  
5 apply to—

6                       “(A) any employer-provided coverage  
7 under an accident or health plan which con-  
8 stitutes medical care, and

9                       “(B) any employer contribution to a med-  
10 ical savings account which is treated by sub-  
11 section (b) as employer-provided coverage for  
12 medical expenses under an accident or health  
13 plan.

14               “(2) EXCEPTION FOR INDIVIDUALS ENTITLED  
15 TO MEDICARE.—Paragraph (1) shall not apply to  
16 any employee who, as of the time such employer-pro-  
17 vided coverage was provided, is entitled to any bene-  
18 fits under title XVIII of the Social Security Act.

19               “(3) MEDICAL CARE DEFINED.—For purposes  
20 of paragraph (1), the term ‘medical care’ has the  
21 meaning given to such term in section 213(d) deter-  
22 mined without regard to—

23                       “(A) paragraph (1)(C) thereof, and

24                       “(B) so much of paragraph (1)(D) thereof  
25 as relates to qualified long-term care insurance.

1           “(4) SPECIAL RULE FOR VALUATION OF INCLU-  
 2           SION OF EMPLOYER-PROVIDED HEALTH COV-  
 3           ERAGE.—The amount included in gross income by  
 4           reason of paragraph (1) shall be the cost to the em-  
 5           ployer of the employer-provided coverage under an  
 6           accident or health plan with respect to the employee  
 7           for the calendar year. Such cost shall be the applica-  
 8           ble premium (as defined by section 4980B(f)(4)).”.

9           (b) DISALLOWANCE OF DEDUCTION FOR HEALTH  
 10          INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.—  
 11          Section 162(l) of such Code is amended by adding at the  
 12          end the following new paragraph:

13           “(6) TERMINATION OF DEDUCTION FOR  
 14          HEALTH INSURANCE.—In the case of taxable years  
 15          beginning after December 31, 2001, this subsection  
 16          shall only apply to amounts paid for qualified long-  
 17          term care insurance contracts.”.

18          (c) MEDICAL CARE DEDUCTION LIMITED TO QUALI-  
 19          FIED LONG-TERM CARE AND INDIVIDUALS ENTITLED TO  
 20          MEDICARE.—Section 213 of such Code (relating to med-  
 21          ical, dental, etc., expenses) is amended by adding at the  
 22          end the following new subsection:

23           “(f) TERMINATION.—

24           “(1) IN GENERAL.—Except as provided in para-  
 25          graphs (2) and (3), subsection (a) shall not apply to

1 any taxable year beginning after December 31,  
2 2001.

3 “(2) EXCEPTION FOR INDIVIDUALS ENTITLED  
4 TO MEDICARE.—Paragraph (1) shall not apply to ex-  
5 penses paid for medical care provided for any indi-  
6 vidual who, as of the time such medical care was  
7 provided, is entitled to any benefits under title  
8 XVIII of the Social Security Act.

9 “(3) EXCEPTION FOR QUALIFIED LONG-TERM  
10 CARE.—Paragraph (1) shall not apply to expenses  
11 paid for medical care described in paragraph (1)(C)  
12 of subsection (d) and so much of paragraph (1)(D)  
13 of such subsection as relates to qualified long-term  
14 care insurance contracts.”.

15 (d) MEDICAL SAVINGS ACCOUNTS.—

16 (1) TERMINATION OF DEDUCTION.—Section  
17 220 of such Code (relating to medical savings ac-  
18 counts) is amended by adding at the end the fol-  
19 lowing:

20 “(k) TERMINATION.—No deduction shall be allowed  
21 for a contribution to a medical savings account made after  
22 December 31, 2001.”.

23 (2) BOTH EMPLOYERS AND EMPLOYEES MAY  
24 CONTRIBUTE TO MEDICAL SAVINGS ACCOUNTS.—



1 Paragraph (5) of section 220(b) of such Code is  
 2 amended to read as follows:

3 “(5) COORDINATION WITH EXCLUSION FOR EM-  
 4 PLOYER CONTRIBUTIONS.—The limitation which  
 5 would (but for this paragraph) apply under this sub-  
 6 section to the taxpayer for any taxable year shall be  
 7 reduced (but not below zero) by the amount which  
 8 would (but for section 106(b), without regard to  
 9 subsection (d) thereof) be includible in the tax-  
 10 payer’s gross income for such taxable year.”.

11 (3) PENALTY FOR EXCESS CONTRIBUTIONS.—

12 (A) Paragraph (1) of section 4973(d) of  
 13 such Code is amended to read as follows:

14 “(1) the aggregate amount contributed for the  
 15 taxable year to the accounts (other than rollover  
 16 contributions described in section 220(f)(5)) for  
 17 which a credit is not allowed under section  
 18 35(c)(1)(B), and”.

19 (B) Clause (i) of section 4973(d)(2)(B) of  
 20 such Code is amended to read as follows:

21 “(i) the maximum amount allowable  
 22 as a deduction under section 220(b)(1)  
 23 (determined without regard to section  
 24 220(k)) for the taxable year, over”.

1       (f) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2001.

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