

106TH CONGRESS
2D SESSION

S. 2320

To amend the Internal Revenue Code of 1986 to allow a refundable tax credit for health insurance costs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 29, 2000

Mr. JEFFORDS (for himself, Mr. BREAUX, Mr. FRIST, Mrs. LINCOLN, and Ms. SNOWE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a refundable tax credit for health insurance costs, and for other purposes.

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 “Health Coverage,
5 Access, Relief, and Equity (C.A.R.E.) Act”.

6 **SEC. 2. REFUNDABLE HEALTH INSURANCE COSTS CREDIT.**

7 (a) IN GENERAL.—Subpart C of part IV of sub-
8 chapter A of chapter 1 of the Internal Revenue Code of
9 1986 (relating to refundable personal credits) is amended

1 by redesignating section 35 as section 36 and inserting
 2 after section 34 the following new section:

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

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
 5 dividual, there shall be allowed as a credit against the tax
 6 imposed by this subtitle for the taxable year an amount
 7 equal to the amount paid during the taxable year for quali-
 8 fied health insurance for the taxpayer and the taxpayer’s
 9 spouse and dependents.

10 “(b) LIMITATIONS.—

11 “(1) MAXIMUM DOLLAR AMOUNT.—

12 “(A) IN GENERAL.—The amount allowed
 13 as a credit under subsection (a) to the taxpayer
 14 for the taxable year shall not exceed the sum of
 15 the monthly limitations for coverage months
 16 during such taxable year.

17 “(B) MONTHLY LIMITATION.—The month-
 18 ly limitation for each coverage month during
 19 the taxable year is the amount equal to 1/12
 20 of—

21 “(i) in the case of self-only coverage,
 22 \$1,000, and

23 “(ii) in the case of family coverage,
 24 \$2,000.

25 “(2) PHASEOUT OF CREDIT.—

1 “(A) IN GENERAL.—The amount which
2 would (but for this paragraph) be taken into ac-
3 count under subsection (a) shall be reduced
4 (but not below zero) by the amount determined
5 under subparagraph (B).

6 “(B) AMOUNT OF REDUCTION.—The
7 amount determined under this subparagraph is
8 the amount which bears the same ratio to the
9 amount which would be so taken into account
10 as—

11 “(i) the excess of—

12 “(I) the taxpayer’s modified ad-
13 justed gross income for such taxable
14 year, over

15 “(II) \$35,000 (\$55,000 in the
16 case of family coverage), bears to

17 “(ii) \$10,000.

18 “(C) MODIFIED ADJUSTED GROSS IN-
19 COME.—The term ‘modified adjusted gross in-
20 come’ means adjusted gross income
21 determined—

22 “(i) without regard to this section and
23 sections 911, 931, and 933, and

24 “(ii) after application of sections 86,
25 135, 137, 219, 221, and 469.

1 “(3) COORDINATION WITH DEDUCTION FOR
2 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-
3 DIVIDUALS.—In the case of a taxpayer who is eligi-
4 ble to deduct any amount under section 162(l) for
5 the taxable year, this section shall apply only if the
6 taxpayer elects not to claim any amount as a deduc-
7 tion under such section for such year.

8 “(c) COVERAGE MONTH DEFINED.—For purposes of
9 this section—

10 “(1) IN GENERAL.—The term ‘coverage month’
11 means, with respect to an individual, any month if—

12 “(A) as of the first day of such month
13 such individual is covered by qualified health in-
14 surance, and

15 “(B) the premium for coverage under such
16 insurance for such month is paid by the tax-
17 payer.

18 “(2) EMPLOYER-SUBSIDIZED COVERAGE.—

19 “(A) IN GENERAL.—Such term shall not
20 include any month for which such individual is
21 eligible to participate in any subsidized health
22 plan (within the meaning of section 162(l)(2))
23 maintained by any employer of the taxpayer or
24 of the spouse of the taxpayer.

1 “(B) PREMIUMS TO NONSUBSIDIZED
2 PLANS.—If an employer of the taxpayer or the
3 spouse of the taxpayer maintains a health plan
4 which is not a subsidized health plan (as so de-
5 fined) and which constitutes qualified health in-
6 surance, employee contributions to the plan
7 shall be treated as amounts paid for qualified
8 health insurance.

9 “(3) CAFETERIA PLAN AND FLEXIBLE SPEND-
10 ING ACCOUNT BENEFICIARIES.—Such term shall not
11 include any month during a taxable year if any
12 amount is not includible in the gross income of the
13 taxpayer for such year under section 106 with re-
14 spect to—

15 “(A) a benefit chosen under a cafeteria
16 plan (as defined in section 125(d)), or

17 “(B) a benefit provided under a flexible
18 spending or similar arrangement.

19 “(4) MEDICARE AND MEDICAID.—Such term
20 shall not include any month during a taxable year
21 with respect to an individual if, as of the first day
22 of such month, such individual—

23 “(A) is eligible for any benefits under title
24 XVIII of the Social Security Act, or

1 “(B) is eligible to participate in the pro-
2 gram under title XIX or XXI of such Act.

3 “(5) CERTAIN OTHER COVERAGE.—Such term
4 shall not include any month during a taxable year
5 with respect to an individual if, as of the first day
6 of such month, such individual is eligible—

7 “(A) for benefits under chapter 17 of title
8 38, United States Code,

9 “(B) for benefits under chapter 55 of title
10 10, United States Code,

11 “(C) to participate in the program under
12 chapter 89 of title 5, United States Code, or

13 “(D) for benefits under any medical care
14 program under the Indian Health Care Im-
15 provement Act or any other provision of law.

16 “(6) PRISONERS.—Such term shall not include
17 any month with respect to an individual if, as of the
18 first day of such month, such individual is impris-
19 oned under Federal, State, or local authority.

20 “(d) QUALIFIED HEALTH INSURANCE.—For pur-
21 poses of this section, the term ‘qualified health insurance’
22 means health insurance coverage (as defined in section
23 9832(b)(1)(A)), including coverage under a high deduct-
24 ible health plan (as defined in section 220(c)(2)) or a

1 COBRA continuation provision (as defined in section
2 9832(d)(1)).

3 “(e) MEDICAL SAVINGS ACCOUNT CONTRIBU-
4 TIONS.—

5 “(1) IN GENERAL.—If a deduction would (but
6 for paragraph (2)) be allowed under section 220 to
7 the taxpayer for a payment for the taxable year to
8 the medical savings account of an individual, sub-
9 section (a) shall be applied by treating such payment
10 as a payment for qualified health insurance for such
11 individual.

12 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-
13 tion shall be allowed under section 220 for that por-
14 tion of the payments otherwise allowable as a deduc-
15 tion under section 220 for the taxable year which is
16 equal to the amount of credit allowed for such tax-
17 able year by reason of this subsection.

18 “(f) SPECIAL RULES.—

19 “(1) COORDINATION WITH MEDICAL EXPENSE
20 DEDUCTION.—The amount which would (but for this
21 paragraph) be taken into account by the taxpayer
22 under section 213 for the taxable year shall be re-
23 duced by the credit (if any) allowed by this section
24 to the taxpayer for such year.

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

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

11 “(g) EXPENSES MUST BE SUBSTANTIATED.—A pay-
12 ment for insurance to which subsection (a) applies may
13 be taken into account under this section only if the tax-
14 payer substantiates such payment in such form as the Sec-
15 retary may prescribe.

16 “(h) REGULATIONS.—The Secretary shall prescribe
17 such regulations as may be necessary to carry out the pur-
18 poses of this section, including regulations under which—

19 “(1) an awareness campaign is established to
20 educate the public, insurance issuers, and agents or
21 others who market health insurance about the re-
22 quirements and procedures under this section,
23 including—

1 “(A) criteria for insurance products and
2 group health coverage which constitute qualified
3 health insurance under this section, and

4 “(B) guidelines for marketing schemes and
5 practices which are appropriate and acceptable
6 in connection with the credit under this section,
7 and

8 “(2) periodic reviews or audits of health insur-
9 ance policies and group health plans (and related
10 promotional marketing materials) which are mar-
11 keted to eligible taxpayers under this section are
12 conducted for the purpose of determining—

13 “(A) whether such policies and plans con-
14 stitute qualified health insurance under this
15 section, and

16 “(B) whether offenses described in section
17 7276 occur.”.

18 (b) INFORMATION REPORTING.—

19 (1) IN GENERAL.—Subpart B of part III of
20 subchapter A of chapter 61 of such Code (relating
21 to information concerning transactions with other
22 persons) is amended by inserting after section
23 6050S the following new section:

1 **“SEC. 6050T. RETURNS RELATING TO PAYMENTS FOR**
2 **QUALIFIED HEALTH INSURANCE.**

3 “(a) IN GENERAL.—Any person who, in connection
4 with a trade or business conducted by such person, re-
5 ceives payments during any calendar year from any indi-
6 vidual for coverage of such individual or any other indi-
7 vidual under creditable health insurance, shall make the
8 return described in subsection (b) (at such time as the
9 Secretary may by regulations prescribe) with respect to
10 each individual from whom such payments were received.

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

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

15 “(2) contains—

16 “(A) the name, address, and TIN of the
17 individual from whom payments described in
18 subsection (a) were received,

19 “(B) the name, address, and TIN of each
20 individual who was provided by such person
21 with coverage under creditable health insurance
22 by reason of such payments and the period of
23 such coverage,

24 “(C) the aggregate amount of payments
25 described in subsection (a),

1 “(D) the qualified health insurance credit
2 advance amount (as defined in section 7527(e))
3 received by such person with respect to the indi-
4 vidual described in subparagraph (A), and

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

7 “(c) CREDITABLE HEALTH INSURANCE.—For pur-
8 poses of this section, the term ‘creditable health insurance’
9 means qualified health insurance (as defined in section
10 35(d)) other than—

11 “(1) insurance under a subsidized group health
12 plan maintained by an employer, or

13 “(2) to the extent provided in regulations pre-
14 scribed by the Secretary, any other insurance cov-
15 ering an individual if no credit is allowable under
16 section 35 with respect to such coverage.

17 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
18 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
19 QUIRED.—Every person required to make a return under
20 subsection (a) shall furnish to each individual whose name
21 is required under subsection (b)(2)(A) to be set forth in
22 such return a written statement showing—

23 “(1) the name and address of the person re-
24 quired to make such return and the phone number
25 of the information contact for such person,

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

5 “(3) the information required under subsection
6 (b)(2)(B) with respect to such payments, and

7 “(4) the qualified health insurance credit ad-
8 vance amount (as defined in section 7527(e)) re-
9 ceived by such person with respect to the individual
10 described in paragraph (2).

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

15 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
16 MADE BY 2 OR MORE PERSONS.—Except to the extent
17 provided in regulations prescribed by the Secretary, in the
18 case of any amount received by any person on behalf of
19 another person, only the person first receiving such
20 amount shall be required to make the return under sub-
21 section (a).”.

22 (2) ASSESSABLE PENALTIES.—

23 (A) Subparagraph (B) of section
24 6724(d)(1) of such Code (relating to defini-
25 tions) is amended by redesignating clauses (xi)

1 through (xvii) as clauses (xii) through (xviii),
2 respectively, and by inserting after clause (x)
3 the following new clause:

4 “(xi) section 6050T (relating to re-
5 turns relating to payments for qualified
6 health insurance),”.

7 (B) Paragraph (2) of section 6724(d) of
8 such Code is amended by striking “or” at the
9 end of the next to last subparagraph, by strik-
10 ing the period at the end of the last subpara-
11 graph and inserting “, or”, and by adding at
12 the end the following new subparagraph:

13 “(BB) section 6050T(d) (relating to re-
14 turns relating to payments for qualified health
15 insurance).”.

16 (3) CLERICAL AMENDMENT.—The table of sec-
17 tions for subpart B of part III of subchapter A of
18 chapter 61 of such Code is amended by inserting
19 after the item relating to section 6050S the fol-
20 lowing new item:

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

21 (c) CRIMINAL PENALTY FOR FRAUD.—Subchapter B
22 of chapter 75 of such Code (relating to other offenses)
23 is amended by adding at the end the following new section:

1 **“SEC. 7276. PENALTIES FOR OFFENSES RELATING TO**
2 **HEALTH INSURANCE TAX CREDIT.**

3 “Any person who knowingly misuses Department of
4 the Treasury names, symbols, titles, or initials to convey
5 the false impression of association with, or approval or en-
6 dorsement by, the Department of the Treasury of any in-
7 surance products or group health coverage in connection
8 with the credit for health insurance costs under section
9 35 shall on conviction thereof be fined not more than
10 \$10,000, or imprisoned not more than 1 year, or both.”.

11 (d) CONFORMING AMENDMENTS.—

12 (1) Section 162(l) of the Internal Revenue Code
13 of 1986 is amended by adding at the end the fol-
14 lowing new paragraph:

15 “(6) ELECTION TO HAVE SUBSECTION
16 APPLY.—No deduction shall be allowed under para-
17 graph (1) for a taxable year unless the taxpayer
18 elects to have this subsection apply for such year.”.

19 (2) Paragraph (2) of section 1324(b) of title
20 31, United States Code, is amended by inserting be-
21 fore the period “, or from section 35 of such Code”.

22 (3) The table of sections for subpart C of part
23 IV of subchapter A of chapter 1 of the Internal Rev-
24 enue Code of 1986 is amended by striking the last
25 item and inserting the following new items:

“Sec. 35. Health insurance costs.

“Sec. 36. Overpayments of tax.”.

1 (4) The table of sections for subchapter B of
2 chapter 75 of the Internal Revenue Code of 1986 is
3 amended by adding at the end the following new
4 item:

“Sec. 7276. Penalties for offenses relating to health insurance tax
credit.”.

5 (e) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in para-
7 graph (2), the amendments made by this section
8 shall apply to taxable years beginning after Decem-
9 ber 31, 2000.

10 (2) PENALTIES.—The amendments made by
11 subsections (c) and (d)(4) shall take effect on the
12 date of the enactment of this Act.

13 **SEC. 3. ADVANCE PAYMENT OF CREDIT TO ISSUERS OF**
14 **QUALIFIED HEALTH INSURANCE.**

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

18 **“SEC. 7527. ADVANCE PAYMENT OF HEALTH INSURANCE**
19 **CREDIT TO ISSUERS OF QUALIFIED HEALTH**
20 **INSURANCE.**

21 “(a) GENERAL RULE.—In the case of an eligible indi-
22 vidual, the Secretary shall make payments to the health
23 insurance issuer of such individual’s qualified health in-

1 surance equal to such individual’s qualified health insur-
2 ance credit advance amount with respect to such issuer.

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

6 “(1) who purchases qualified health insurance
7 (as defined in section 35(c)), and

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

10 “(c) HEALTH INSURANCE ISSUER.—For purposes of
11 this section, the term ‘health insurance issuer’ has the
12 meaning given such term by section 9832(b)(2).

13 “(d) QUALIFIED HEALTH INSURANCE CREDIT ELI-
14 GIBILITY CERTIFICATE.—For purposes of this section, a
15 qualified health insurance credit eligibility certificate is a
16 statement furnished by an individual to a qualified health
17 insurance issuer which—

18 “(1) certifies that the individual will be eligible
19 to receive the credit provided by section 35 for the
20 taxable year,

21 “(2) estimates the amount of such credit for
22 such taxable year, and

23 “(3) provides such other information as the
24 Secretary may require for purposes of this section.

1 “(e) QUALIFIED HEALTH INSURANCE CREDIT AD-
 2 VANCE AMOUNT.—For purposes of this section, the term
 3 ‘qualified health insurance credit advance amount’ means,
 4 with respect to any qualified health insurance issuer of
 5 qualified health insurance, an estimate of the amount of
 6 credit allowable under section 35 to the individual for the
 7 taxable year which is attributable to the insurance pro-
 8 vided to the individual by such issuer.

9 “(f) REQUIRED DOCUMENTATION FOR RECEIPT OF
 10 PAYMENTS OF ADVANCE AMOUNT.—No payment of a
 11 qualified health insurance credit advance amount with re-
 12 spect to any eligible individual may be made under sub-
 13 section (a) unless the health insurance issuer provides to
 14 the Secretary—

15 “(1) the qualified health insurance credit eligi-
 16 bility certificate of such individual, and

17 “(2) the return relating to such individual
 18 under section 6050T.

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, 2001.

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