

107TH CONGRESS
1ST SESSION

H. R. 2250

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.

IN THE HOUSE OF REPRESENTATIVES

JUNE 20, 2001

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

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Patient Access, Choice,
3 and Equity Act of 2001”.

4 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH INSURANCE**
5 **COVERAGE.**

6 (a) IN GENERAL.—Subpart C of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 (relating to refundable credits) is amended by redес-
9 ignating section 35 as section 36 and by inserting after
10 section 34 the following new section:

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

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

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

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

25 “(2) LIMITATIONS.—

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

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

9 “(ii) \$3,000.

10 “(B) MONTHLY LIMITATION.—

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

15 “(I) \$1,000 if such individual is
16 the taxpayer,

17 “(II) \$1,000 if—

18 “(aa) such individual is the
19 spouse of the taxpayer,

20 “(bb) the taxpayer and such
21 spouse are married as of the first
22 day of such month, and

23 “(cc) the taxpayer files a
24 joint return for the taxable year,
25 and

1 “(III) \$500 if such individual is
2 an individual for whom a deduction
3 under section 151(c) is allowable to
4 the taxpayer for such taxable year.

5 “(ii) SPECIAL RULE FOR MARRIED IN-
6 DIVIDUALS.—In the case of an
7 individual—

8 “(I) who is married (within the
9 meaning of section 7703) as of the
10 close of the taxable year but does not
11 file a joint return for such year, and

12 “(II) who does not live apart
13 from such individual’s spouse at all
14 times during the taxable year,

15 the limitation imposed by clause (i)(III)
16 shall be divided equally between the indi-
17 vidual and the individual’s spouse unless
18 they agree on a different division.

19 “(3) DENIAL OF CREDIT IF CONTRIBUTION
20 MADE TO ARCHER MSA.—No credit shall be allowed
21 under this subsection with respect to any individual
22 who makes a contribution to an Archer MSA (as de-
23 fined in section 220(d)).

24 “(c) PERCENTAGE HEALTH CREDIT.—For purposes
25 of subsection (a)—

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

3 “(A) the applicable percentage of the sum
4 of—

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

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

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

19 “(B) 25 percent of the qualified Archer
20 MSA contributions.

21 “(2) LIMITATIONS.—

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

1 “(i) the tax imposed by this chapter
2 for the taxable year on the taxpayer, his
3 spouse, and dependents with respect to
4 whom such credit is allowed, reduced by
5 the credits allowable against such tax
6 (other than the credits allowable under this
7 subpart), plus

8 “(ii) the tax imposed by sections
9 1401, 3101, 3111, 3201(a), 3211(a)(1),
10 3221(a) for the taxable year with respect
11 to such taxpayer, spouse, and dependents.

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

17 “(C) COORDINATION WITH SPECIAL RE-
18 FUND OF SOCIAL SECURITY TAXES.—The taxes
19 referred to in subparagraph (A)(ii) shall not in-
20 clude any amount to which the taxpayer, his
21 spouse, or dependents is entitled to a special re-
22 fund under section 6413(c).

23 “(D) SPECIAL RULE.—Any amounts paid
24 pursuant to an agreement under section 3121(l)
25 (relating to agreements entered into by Amer-

1 ican employers with respect to foreign affiliates)
2 which are equivalent to the taxes imposed by
3 sections 3101, 3111, 3201(a), and 3221(a)
4 shall be treated as taxes referred to in subpara-
5 graph (A)(ii).

6 “(3) QUALIFIED ARCHER MSA CONTRIBU-
7 TIONS.—The term ‘qualified Archer MSA contribu-
8 tions’ means a payment to an Archer MSA if a de-
9 duction would (but for section 220(k)) be allowed
10 under section 220 to the taxpayer for such payment
11 for the taxable year to the Archer MSA of an indi-
12 vidual.

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

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

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

23 “(2) QUALIFIED HEALTH INSURANCE.—The
24 term ‘qualified health insurance’ means insurance
25 which is—

1 “(A) health insurance coverage, as defined
2 by section 9832(b)(1), or

3 “(B) insurance which constitutes medical
4 care under a group health plan (as defined by
5 section 5000(b)(1)), other than insurance a
6 substantial portion of which consists of excepted
7 benefits (as defined by section 9832(c)).

8 “(3) QUALIFIED MEDICAL EXPENSES.—

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

17 “(B) REDUCTION FOR AMOUNTS DISTRIB-
18 UTED FROM MSA’S.—Such term shall not in-
19 clude any distribution from an Archer MSA
20 which is not includible in gross income by rea-
21 son of section 220(f)(1).

22 “(C) APPLICABLE RULES.—For purposes
23 of subparagraph (A), rules similar to the rules
24 of subsections (b) and (c) of section 213 shall
25 apply.

1 “(4) MEDICAL CARE.—The term ‘medical care’
2 has the meaning given to such term in section
3 213(d) determined without regard to—

4 “(A) paragraph (1)(C) thereof, and

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

7 “(5) COVERAGE MONTH.—

8 “(A) IN GENERAL.—The term ‘coverage
9 month’ means, with respect to an individual,
10 any month if as of the first day of such month
11 such individual is covered by qualified health in-
12 surance.

13 “(B) MEDICARE, MEDICAID, AND STATE
14 CHILDRENS’ HEALTH INSURANCE PROGRAM.—
15 Such term shall not include any month with re-
16 spect to an individual if, as of the first day of
17 such month, such individual—

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

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

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

24 “(C) CERTAIN OTHER COVERAGE.—Such
25 term shall not include any month during a tax-

1 able year with respect to an individual if, at any
2 time during such month, such individual is en-
3 rolled in a program to receive benefits under
4 chapter 55 of title 10, United States Code.

5 “(D) PRISONERS.—Such term shall not in-
6 clude any month with respect to an individual
7 if, as of the first day of such month, such indi-
8 vidual is imprisoned under Federal, State, or
9 local authority.

10 “(e) SPECIAL RULES.—For purposes of this
11 section—

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

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

24 “(3) NO OTHER CREDIT ALLOWED WITH RE-
25 SPECT TO DEPENDENT IF FIXED CREDIT AL-

1 LOWED.—If a credit is allowed to a taxpayer for a
2 taxable year under subsection (b) with respect to a
3 dependent, no credit with respect to such dependent
4 shall be allowed under this section for such taxable
5 year to any other taxpayer.

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

10 “(A) such individual’s taxpayer identifica-
11 tion number,

12 “(B) if the individual is married (within
13 the meaning of section 7703), the taxpayer
14 identification number of such individual’s
15 spouse, and

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

19 “(5) COORDINATION WITH ADVANCE PAY-
20 MENT.—Rules similar to the rules of section 32(g)
21 shall apply to any credit to which this section ap-
22 plies.

23 “(6) TREATMENT OF AMOUNTS PAID BY EM-
24 PLOYER.—Amounts paid by an employer for cov-
25 erage under an accident or health plan which con-

1 stitutes medical care for a taxpayer, his spouse and
2 dependents, which would (but for section 106(d)) be
3 excludable from gross income shall be treated as
4 paid by the taxpayer.

5 “(7) COST-OF-LIVING ADJUSTMENT.—

6 “(A) IN GENERAL.—In the case of any
7 taxable year beginning in a calendar year after
8 2003, each dollar amount contained in sub-
9 sections (b)(2)(A)(ii), (b)(2)(B), and (c)(2)(B)
10 shall be increased by the medical care cost ad-
11 justment of such amount for such calendar
12 year. If any increase determined under the pre-
13 ceding sentence is not a multiple of \$50, such
14 increase shall be rounded to the nearest mul-
15 tiple of \$50.

16 “(B) MEDICAL CARE COST ADJUST-
17 MENT.—For purposes of subparagraph (A), the
18 medical care cost adjustment for any calendar
19 year is the percentage (if any) by which—

20 “(i) the medical care component of
21 the Consumer Price Index (as defined in
22 section 1(f)(5)) for August of the pre-
23 ceding calendar year, exceeds

24 “(ii) such component for August of
25 2002.

1 “(f) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
2 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

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

5 “(A) IN GENERAL.—No credit shall be al-
6 lowed under this section for any taxable year in
7 the disallowance period.

8 “(B) DISALLOWANCE PERIOD.—For pur-
9 poses of subparagraph (A), the disallowance pe-
10 riod is the period of 2 taxable years after the
11 most recent taxable year for which there was a
12 final determination that the taxpayer’s claim of
13 credit under this section was due to fraud or
14 reckless or intentional disregard of rules and
15 regulations.

16 “(2) TAXPAYERS MAKING IMPROPER PRIOR
17 CLAIMS.—In the case of a taxpayer who is denied
18 credit under this section for any taxable year as a
19 result of the deficiency procedures under subchapter
20 B of chapter 63, no credit shall be allowed under
21 this section for any subsequent taxable year unless
22 the taxpayer provides such information as the Sec-
23 retary may require to demonstrate eligibility for
24 such credit.

1 “(g) DENIAL OF DOUBLE BENEFIT.—No credit shall
2 be allowed under this section for any expense for which
3 a deduction or credit is allowed under any other provision
4 of this chapter.”.

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

 “Sec. 35. Health insurance costs.

 “Sec. 36. Overpayments of tax.”.

10 (c) APPROPRIATIONS FOR REFUND.—Section
11 1324(b)(2) of title 31, United States Code, is amended
12 by inserting before the period “, or of section 35 of such
13 Code”.

14 (d) REPORT ON SUITABLE INDEX FOR INFLATION
15 ADJUSTMENT.—If the Bureau of Labor Statistics of the
16 Department of Commerce begins publishing a component
17 of the consumer price index which tracks health insurance
18 other than Medicare, the Secretary of the Treasury shall
19 submit a report to the Congress on the suitability of
20 changing the index referred to in section 35(e)(7)(B) of
21 the Internal Revenue Code of 1986 (other than for pur-
22 poses of subsection (c)(2)(B) of such section), as added
23 by this section, to such component.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2002.

4 **SEC. 3. ADVANCE PAYMENT OF CREDIT FOR PURCHASERS**
5 **OF QUALIFIED HEALTH INSURANCE.**

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

9 **“SEC. 7527. ADVANCE PAYMENT OF HEALTH INSURANCE**
10 **CREDIT FOR PURCHASERS OF QUALIFIED**
11 **HEALTH INSURANCE.**

12 “(a) GENERAL RULE.—

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

16 “(A) in the case of an employee covered by
17 qualified health insurance of, or contributed to
18 by, the employer (other than insurance which
19 constitutes a self-insured group health plan), to
20 the employer if the employer elects the applica-
21 tion of this section,

22 “(B) in the case of an employee covered by
23 qualified health insurance of, or contributed to
24 by, the employer which constitutes a self-in-
25 sured group health plan, to the employer, and

1 “(C) in any other case, to the health insur-
2 ance issuer of qualified health insurance of such
3 individual.

4 “(2) AMOUNT OF PAYMENTS.—Payments under
5 paragraph (1) shall be made in an amount equal to
6 the qualified health insurance credit advance amount
7 of such individual.

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

10 “(A) PAYMENTS MADE FROM CERTAIN
11 TAXES OWED.—With respect to any payment
12 under paragraph (1), rules similar to the rules
13 of sections 3507(d) (1) and (4) shall apply. In
14 the case of payments to a health insurance
15 issuer with respect to an individual who is not
16 an employee of such issuer, rules under the pre-
17 ceding sentence shall be applied to any amounts
18 for which such issuer is liable under section
19 3401, 3102, and 3111.

20 “(B) DIFFERENCE PAYABLE IN CASH.—In
21 the case of any employer or health insurance
22 issuer, if for any month the aggregate payment
23 to such employer or issuer by reason of the pre-
24 ceding sentence is less than the aggregate quali-
25 fied health insurance credit advance amount,

1 the Secretary shall pay the difference directly to
2 such employer or issuer (as the case may be).
3 For purposes of this subparagraph, the Sec-
4 retary may require the employer and the health
5 insurance issuer to provide such additional in-
6 formation as the Secretary determines appro-
7 priate.

8 “(4) TRANSFER TO TRUST FUNDS.—The Sec-
9 retary shall transfer from the general fund to the
10 Old-Age, Survivors, and Disability Insurance Trust
11 Fund and to the Hospital Insurance Trust Fund
12 amounts equivalent to the amount of the reduction
13 in taxes imposed by chapter 21 by reason of para-
14 graph (3). Any such transfer shall be made at the
15 same time the reduced taxes would have been depos-
16 ited in either such Trust Fund.

17 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
18 section, the term ‘eligible individual’ means any
19 individual—

20 “(1) who purchases qualified health insurance,
21 and

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

24 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-
25 BILITY CERTIFICATE.—

1 “(1) IN GENERAL.—For purposes of this sec-
2 tion, a qualified health insurance credit eligibility
3 certificate is a statement furnished by an individual
4 to the employer or the health insurance issuer
5 which—

6 “(A) certifies that the individual will be eli-
7 gible to receive the credit provided by section
8 35(b) for the taxable year,

9 “(B) estimates the amount of such credit
10 for such taxable year,

11 “(C) contains the name, address, and TIN
12 of each individual who is obtaining coverage
13 under such certificate,

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

17 “(E) provides such other information as
18 the Secretary may require for purposes of this
19 section.

20 “(2) CERTIFICATE IN EFFECT.—A qualified
21 health insurance credit eligibility certificate shall
22 take effect on the first day of a coverage month (as
23 defined in section 35(d)) and shall remain in effect
24 with respect to the individual until the earlier of rev-
25 ocation by the individual, another such certificate

1 takes effect under this section with respect to the in-
2 dividual, or cancellation of the qualified health insur-
3 ance by the issuer or the employer.

4 “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-
5 VANCE AMOUNT.—For purposes of this section, the term
6 ‘qualified health insurance credit advance amount’ means,
7 with respect to any employer or issuer of qualified health
8 insurance, the Secretary’s estimate of the amount of credit
9 allowable under section 35(b) to the individual for the tax-
10 able year which is attributable to the insurance provided
11 to the individual by such employer or issuer.

12 “(e) REQUIRED DOCUMENTATION FOR RECEIPT OF
13 PAYMENTS OF ADVANCE AMOUNT.—No payment of a
14 qualified health insurance credit advance amount with re-
15 spect to any eligible individual may be made under sub-
16 section (a) unless the employer or health insurance issuer
17 (as the case may be)—

18 “(1) provides to the Secretary the qualified
19 health insurance credit eligibility certificate of such
20 individual, and

21 “(2) agrees to provide the return relating to
22 such individual under section 6050T (or with respect
23 to such employer or issuer, an agreement relating to
24 such individual is in effect under section 6050T(e)).

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

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

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

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

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall take effect on January 1, 2003.

12 **SEC. 4. INFORMATION REPORTING.**

13 (a) IN GENERAL.—Subpart B of part III of sub-
14 chapter A of chapter 61 of the Internal Revenue Code of
15 1986 (relating to information concerning transactions
16 with other persons) is amended by inserting after section
17 6050S the following new section:

18 **“SEC. 6050T. RETURNS RELATING TO PAYMENTS FOR**
19 **QUALIFIED HEALTH INSURANCE.**

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

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

4 “(2) under section 7527 with respect to a quali-
5 fied health insurance credit eligibility certificate,
6 shall make the return described in subsection (b) (at such
7 time as the Secretary may by regulations prescribe) with
8 respect to each person from whom any such payment is
9 received.

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

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

14 “(2) contains—

15 “(A) the name, address, and TIN of the
16 person from whom payments described in sub-
17 section (a) were received, and the aggregate
18 amounts of such payments,

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

1 “(C) the coverage months (as defined in
2 section 35(d)) of each individual described in
3 subparagraph (A) and (B),

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

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

9 “(c) QUALIFIED HEALTH INSURANCE.—For pur-
10 poses of this section, the term ‘qualified health insurance’
11 means qualified health insurance (as defined in section
12 35(d)) other than, to the extent provided in regulations
13 prescribed by the Secretary, any other insurance covering
14 an individual if no credit is allowable under section 35
15 with respect to such coverage.

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

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

5 “(3) the information required under subsections
6 (b)(2)(B), (C), (D), and (E) with respect to such
7 payments.

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

12 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
13 MADE BY 2 OR MORE PERSONS.—A person required to
14 make a return under subsection (a) (but for this sub-
15 section) shall not be required to make such return if,
16 under such regulations as the Secretary shall prescribe,
17 such person has entered into an agreement with another
18 person to make the return required by subsection (a).”.

19 (b) ASSESSABLE PENALTIES.—

20 (1) Subparagraph (B) of section 6724(d)(1) of
21 such Code (relating to definitions) is amended by re-
22 designating clauses (xi) through (xvii) as clauses
23 (xii) through (xviii), respectively, and by inserting
24 after clause (x) the following new clause:

1 “(xi) section 6050T (relating to re-
2 turns relating to payments for qualified
3 health insurance),”.

4 (2) Paragraph (2) of section 6724(d) of such
5 Code is amended by striking “or” at the end of the
6 next to last subparagraph, by striking the period at
7 the end of the last subparagraph and inserting “,
8 or”, and by adding at the end the following new sub-
9 paragraph:

10 “(BB) section 6050T(d) (relating to re-
11 turns relating to payments for qualified health
12 insurance).”.

13 (c) CLERICAL AMENDMENT.—The table of sections
14 for subpart B of part III of subchapter A of chapter 61
15 of such Code is amended by inserting after the item relat-
16 ing to section 6050S the following new item:

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

17 (d) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2002.

20 **SEC. 5. CREDIT FOR CERTAIN EMPLOYMENT TAXES WITH**
21 **RESPECT TO FORMERLY EXCLUDABLE**
22 **HEALTH INSURANCE COSTS.**

23 (a) IN GENERAL.—Subpart D of part IV of sub-
24 chapter A of chapter 1 of such Code (relating to business

1 related credits) is amended by adding at the end the fol-
2 lowing:

3 **“SEC. 45G. CREDIT FOR CERTAIN EMPLOYMENT TAXES**
4 **WITH RESPECT TO FORMERLY EXCLUDABLE**
5 **HEALTH INSURANCE COSTS.**

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

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

12 “(1) IN GENERAL.—The term ‘creditable em-
13 ployee amount’ means, with respect to each qualified
14 employee, the employer tax on the formerly exclud-
15 able health costs of the qualified employee’s wages
16 or compensation (as the case may be).

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

21 “(A) the tax imposed under section 3111
22 or 3221(a) on wages or compensation (as the
23 case may be) of the employee for the calendar
24 year ending in or with the end of the taxable
25 year of the employer, over

1 “(B) such tax for such calendar year which
2 would be imposed on—

3 “(i) wages or compensation (as the
4 case may be) of such employee, if such
5 wages or compensation were reduced by

6 “(ii) the total amount of the em-
7 ployer-provided coverage under an accident
8 or health plan which would have been ex-
9 cludable from the gross income of such em-
10 ployee under section 106 but for section
11 106(d).

12 “(3) QUALIFIED EMPLOYEE.—The term ‘quali-
13 fied employee’ means an individual who is covered
14 continuously during the coverage period by em-
15 ployer-provided health coverage of the employer.

16 “(4) EMPLOYER-PROVIDED HEALTH COV-
17 ERAGE.—The term ‘employer-provided health cov-
18 erage’ means an accident or health plan provided by
19 an employer which is excludable from gross income
20 under section 106 (or would be so excludable but for
21 section 106(d)).

22 “(5) COVERAGE PERIOD.—The term ‘coverage
23 period’ means, with respect to the calendar year
24 ending in or with the taxable year of the employer,
25 the period—

1 “(A) beginning on January 1, 2002, and

2 “(B) ending on the earlier of—

3 “(i) the last day of such calendar
4 year, or

5 “(ii) the day before the first day in
6 such calendar year that such person is not
7 covered by employer-provided coverage of
8 such employer.

9 “(6) WAGES AND COMPENSATION.—The terms
10 ‘wages’ and ‘compensation’ shall have the meaning
11 given to such terms by sections 3121(a) and
12 3231(e), respectively.

13 “(c) SPECIAL RULES.—

14 “(1) SPECIAL RULE CONCERNING SELF-EM-
15 PLOYED.—The term ‘employer’ shall not include an
16 individual who is an employee within the meaning of
17 section 401(c)(1).

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

21 “(d) NOTICE OF VALUE OF HEALTH INSURANCE
22 COVERAGE.—No credit shall be allowed under subsection
23 (a) to an employer for taxable years beginning in 2003
24 unless such employer notifies (in the manner the Secretary
25 shall provide) each individual who is an employee of the

1 employer during calendar year 2002 of the aggregate
2 value of the applicable premiums (as defined by section
3 4980B(f)(4)) provided to the employee during such cal-
4 endar year.”.

5 (b) CURRENT YEAR BUSINESS CREDIT CALCULA-
6 TION.—Section 38(b) of such Code (relating to current
7 year business credit) is amended by striking “plus” at the
8 end of paragraph (14), by striking the period at the end
9 of paragraph (15) and inserting “, plus”, and by adding
10 at the end the following:

11 “(16) the former health exclusion credit deter-
12 mined under section 45G(a).”.

13 (c) LIMITATION ON CARRYBACK.—Subsection (d) of
14 section 39 of such Code (relating to carryback and
15 carryforward of unused credits) is amended by adding at
16 the end the following:

17 “(11) NO CARRYBACK OF FORMER HEALTH EX-
18 CLUSION CREDIT BEFORE EFFECTIVE DATE.—No
19 amount of unused business credit available under
20 section 45G may be carried back to a taxable year
21 beginning on or before the date of the enactment of
22 this paragraph.”.

23 (d) CLERICAL AMENDMENT.—The table of sections
24 for subpart D of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
 2 ing to section 45F the following:

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

3 (e) EFFECTIVE DATE.—The amendments made by
 4 this section shall apply to taxable years beginning after
 5 December 31, 2002.

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

7 (a) TERMINATION OF EXCLUSION FROM GROSS IN-
 8 COME FOR EMPLOYER-PROVIDED HEALTH CARE COV-
 9 ERAGE.—Section 106 of the Internal Revenue Code of
 10 1986 (relating to contributions by employer to accident
 11 and health plans) is amended by adding at the end the
 12 following new subsection:

13 “(d) INCLUSION OF INSURANCE CONSTITUTING
 14 MEDICAL CARE (OTHER THAN LONG-TERM CARE INSUR-
 15 ANCE).—

16 “(1) IN GENERAL.—Subsection (a) shall not
 17 apply to—

18 “(A) any employer-provided coverage
 19 under an accident or health plan which con-
 20 stitutes medical care, and

21 “(B) any employer contribution to an Ar-
 22 cher MSA which is treated by subsection (b) as
 23 employer-provided coverage for medical ex-
 24 penses under an accident or health plan.

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

6 “(3) MEDICAL CARE DEFINED.—For purposes
7 of paragraph (1), the term ‘medical care’ has the
8 meaning given to such term in section 213(d) deter-
9 mined 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 “(4) SPECIAL RULE FOR VALUATION OF INCLU-
14 SION OF EMPLOYER-PROVIDED HEALTH COV-
15 ERAGE.—The amount included in gross income by
16 reason of paragraph (1) shall be the cost to the em-
17 ployer of the employer-provided coverage under an
18 accident or health plan with respect to the employee
19 for the calendar year. Such cost shall be the applica-
20 ble premium (as defined by section 4980B(f)(4)).”.

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

1 “(6) TERMINATION OF DEDUCTION FOR
2 HEALTH INSURANCE.—In the case of taxable years
3 beginning after December 31, 2002, this subsection
4 shall only apply to amounts paid for qualified long-
5 term care insurance contracts.”.

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

11 “(f) TERMINATION.—

12 “(1) IN GENERAL.—Except as provided in para-
13 graphs (2) and (3), subsection (a) shall not apply to
14 any taxable year beginning after December 31,
15 2002.

16 “(2) EXCEPTION FOR INDIVIDUALS ENTITLED
17 TO MEDICARE.—Paragraph (1) shall not apply to ex-
18 penses paid for medical care provided for any indi-
19 vidual who, as of the time such medical care was
20 provided, is entitled to any benefits under title
21 XVIII of the Social Security Act.

22 “(3) EXCEPTION FOR QUALIFIED LONG-TERM
23 CARE.—Paragraph (1) shall not apply to expenses
24 paid for medical care described in paragraph (1)(C)
25 of subsection (d) and so much of paragraph (1)(D)

1 of such subsection as relates to qualified long-term
2 care insurance contracts.”.

3 (d) ARCHER MSAS.—

4 (1) TERMINATION OF DEDUCTION.—

5 (A) IN GENERAL.—Section 220 of such
6 Code (relating to medical savings accounts) is
7 amended by adding at the end the following:

8 “(k) TERMINATION.—No deduction shall be allowed
9 for a contribution to an Archer MSA made after December
10 31, 2002.”.

11 (B) CONFORMING AMENDMENT.—Section
12 220(a) of such Code is amended by striking
13 “In” and inserting “Except as provided in sub-
14 section (k), in”.

15 (2) BOTH EMPLOYERS AND EMPLOYEES MAY
16 CONTRIBUTE TO ARCHER MSAS.—Paragraph (5) of
17 section 220(b) of such Code is amended to read as
18 follows:

19 “(5) COORDINATION WITH EXCLUSION FOR EM-
20 PLOYER CONTRIBUTIONS.—The limitation which
21 would (but for this paragraph) apply under this sub-
22 section to the taxpayer for any taxable year shall be
23 reduced (but not below zero) by the amount which
24 would (but for section 106(b), without regard to

1 subsection (d) thereof) be includible in the tax-
2 payer's gross income for such taxable year.”.

3 (3) PENALTY FOR EXCESS CONTRIBUTIONS.—

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

6 “(1) the aggregate amount contributed for the
7 taxable year to the accounts (other than rollover
8 contributions described in section 220(f)(5)) for
9 which a credit is not allowed under section
10 35(c)(1)(B), and”.

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

13 “(i) the maximum amount allowable
14 as a deduction under section 220(b)(1)
15 (determined without regard to section
16 220(k)) for the taxable year, over”.

17 (f) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2002.

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