

109TH CONGRESS  
1ST SESSION

# S. 1360

To amend the Internal Revenue Code of 1986 to extend the exclusion from gross income for employer-provided health coverage to designated plan beneficiaries of employees, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JUNE 30, 2005

Mr. SMITH (for himself, Mr. SCHUMER, Mr. JEFFORDS, and Mr. WYDEN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to extend the exclusion from gross income for employer-provided health coverage to designated plan beneficiaries of employees, 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 “Domestic Partner  
5       Health Benefits Equity Act”.

1 **SEC. 2. EXTENSION OF EXCLUSION FOR AMOUNTS RE-**  
 2 **CEIVED BY AN EMPLOYEE THROUGH ACCI-**  
 3 **DENT OR HEALTH INSURANCE AS REIM-**  
 4 **BURSEMENT FOR EXPENSES FOR MEDICAL**  
 5 **CARE.**

6 (a) IN GENERAL.—Section 105(b) of the Internal  
 7 Revenue Code of 1986 (relating to amounts expended for  
 8 medical care) is amended by adding at the end the fol-  
 9 lowing new sentence: “For the purposes of this subsection,  
 10 the term ‘dependents’ shall include any individual who is  
 11 an eligible beneficiary as defined in the employer’s acci-  
 12 dent or health insurance arrangement.”

13 (b) EFFECTIVE DATE.—The amendment made by  
 14 this section shall apply to taxable years beginning after  
 15 December 31, 2005.

16 **SEC. 3. EXTENSION OF EXCLUSION FOR CONTRIBUTIONS**  
 17 **BY EMPLOYER TO ACCIDENT AND HEALTH**  
 18 **PLANS.**

19 (a) IN GENERAL.—Section 106 of the Internal Rev-  
 20 enue Code of 1986 (relating to contributions by employer  
 21 to accident and health plans) is amended by adding at the  
 22 end the following new subsection:

23 “(e) COVERAGE PROVIDED FOR ELIGIBLE BENE-  
 24 FICIARIES OF EMPLOYEES.—Subsection (a) shall not fail  
 25 to apply by reason of the coverage of an eligible beneficiary  
 26 as defined in the employer’s accident or health plan.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 this section shall apply to taxable years beginning after  
 3 December 31, 2005.

4 **SEC. 4. EXTENSION OF DEDUCTION FOR HEALTH INSUR-**  
 5 **ANCE COSTS OF SELF-EMPLOYED INDIVID-**  
 6 **UALS.**

7 (a) IN GENERAL.—Paragraph (1) of section 162(l)  
 8 of the Internal Revenue Code of 1986 (relating to special  
 9 rules for health insurance costs of self-employed individ-  
 10 uals) is amended to read as follows:

11 “(1) ALLOWANCE OF DEDUCTION.—In the case  
 12 of an individual who is an employee within the  
 13 meaning of section 401(c)(1), there shall be allowed  
 14 as a deduction under this section an amount equal  
 15 to the amount paid during the taxable year for in-  
 16 surance which constitutes medical care for the tax-  
 17 payer, his spouse, and dependents. For the purposes  
 18 of this subparagraph, the term ‘dependents’ shall in-  
 19 clude any individual who is an eligible beneficiary as  
 20 defined in the insurance arrangement which con-  
 21 stitutes medical care.”.

22 (b) EFFECTIVE DATE.—The amendment made by  
 23 this section shall apply to taxable years beginning after  
 24 December 31, 2005.

1 **SEC. 5. EXTENSION OF SICK AND ACCIDENT BENEFITS PRO-**  
 2 **VIDED TO MEMBERS OF A VOLUNTARY EM-**  
 3 **PLOYEES' BENEFICIARY ASSOCIATION AND**  
 4 **THEIR DEPENDENTS.**

5 (a) IN GENERAL.—Section 501(c)(9) of the Internal  
 6 Revenue Code of 1986 (relating to list of exempt organiza-  
 7 tions) is amended by adding at the end the following new  
 8 sentence: “For purposes of providing for the payment of  
 9 sick and accident benefits to members of such an associa-  
 10 tion and their dependents, the term ‘dependents’ shall in-  
 11 clude any individual who is an eligible beneficiary as deter-  
 12 mined under the terms of a medical benefit, health insur-  
 13 ance, or other program under which members and their  
 14 dependents are entitled to sick and accident benefits.”.

15 (b) EFFECTIVE DATE.—The amendment made by  
 16 this section shall apply to taxable years beginning after  
 17 December 31, 2005.

18 **SEC. 6. AMENDMENTS TO VARIOUS DEFINITIONS.**

19 (a) FICA.—

20 (1) IN GENERAL.—Section 3121 of the Internal  
 21 Revenue Code of 1986 (relating to definitions) is  
 22 amended by adding at the end the following new  
 23 subsection:

24 “(z) EXCLUSION OF CERTAIN AMOUNTS FROM  
 25 WAGES.—For purposes of applying subsection (a) with re-  
 26 spect to expenses described in paragraph (2)(B) of such

1 subsection, the term ‘dependents’ shall include any indi-  
 2 vidual who is an eligible beneficiary as defined in the plan  
 3 or system established by the employer.”.

4 (2) CONFORMING AMENDMENT.—Section 209  
 5 of the Social Security Act (42 U.S.C. 409) is amend-  
 6 ed by adding at the end the following new sub-  
 7 section:

8 “(1) For purposes of applying subsection (a) with re-  
 9 spect to medical or hospitalization expenses described in  
 10 paragraph (2) thereof, the term ‘dependents’ shall include  
 11 any individual who is an eligible beneficiary as defined in  
 12 the plan or system established by the employer.”.

13 (b) RAILROAD RETIREMENT.—

14 (1) IN GENERAL.—Section 3231(e) of the Inter-  
 15 nal Revenue Code of 1986 (defining compensation)  
 16 is amended by adding at the end the following new  
 17 paragraph:

18 “(13) TREATMENT OF CERTAIN DEPEND-  
 19 ENTS.—For purposes of applying this subsection  
 20 with respect to medical or hospitalization expenses  
 21 described in paragraph (1)(I), the term ‘dependents’  
 22 shall include any individual who is an eligible bene-  
 23 ficiary as defined in the plan or system established  
 24 by the employer.”.

1           (2) CONFORMING AMENDMENT.—Section 1(h)  
 2           of the Railroad Retirement Act of 1974 (45 U.S.C.  
 3           231(h)) is amended by adding at the end the fol-  
 4           lowing new paragraph:

5           “(9) For purposes of applying this subsection, with  
 6           respect to medical or hospitalization expenses described in  
 7           paragraph (6)(v), the term ‘dependents’ shall include any  
 8           individual who is an eligible beneficiary as defined in the  
 9           plan or system established by the employer.”.

10          (c) FUTA.—Section 3306 of the Internal Revenue  
 11          Code of 1986 (relating to definitions) is amended by add-  
 12          ing at the end the following new subsection:

13          “(v) EXCLUSION OF CERTAIN AMOUNTS FROM  
 14          WAGES.—For purposes of applying subsection (b) with re-  
 15          spect to expenses described in paragraph (2)(B) of such  
 16          subsection, the term ‘dependents’ shall include any indi-  
 17          vidual who is an eligible beneficiary as defined in the plan  
 18          or system established by the employer.”.

19          (d) EFFECTIVE DATE.—The amendments made by  
 20          this section shall apply to remuneration paid after Decem-  
 21          ber 31, 2005.

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