

109TH CONGRESS  
1ST SESSION

# S. 484

To amend the Internal Revenue Code of 1986 to allow Federal civilian and military retirees to pay health insurance premiums on a pretax basis and to allow a deduction for TRICARE supplemental premiums.

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## IN THE SENATE OF THE UNITED STATES

MARCH 1, 2005

Mr. WARNER (for himself and Ms. COLLINS) 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 allow Federal civilian and military retirees to pay health insurance premiums on a pretax basis and to allow a deduction for TRICARE supplemental premiums.

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. PRETAX PAYMENT OF HEALTH INSURANCE**  
4                       **PREMIUMS BY FEDERAL CIVILIAN AND MILI-**  
5                       **TARY RETIREES.**

6       (a) IN GENERAL.—Subsection (g) of section 125 of  
7 the Internal Revenue Code of 1986 (relating to cafeteria

1 plans) is amended by adding at the end the following new  
 2 paragraph:

3           “(5) HEALTH INSURANCE PREMIUMS OF FED-  
 4 ERAL CIVILIAN AND MILITARY RETIREES.—

5           “(A) FEHBP PREMIUMS.—Nothing in this  
 6 section shall prevent the benefits of this section  
 7 from being allowed to an annuitant, as defined  
 8 in paragraph (3) of section 8901, title 5,  
 9 United States Code, with respect to a choice be-  
 10 tween the annuity or compensation referred to  
 11 in such paragraph and benefits under the  
 12 health benefits program established by chapter  
 13 89 of such title 5.

14           “(B) TRICARE PREMIUMS.—Nothing in  
 15 this section shall prevent the benefits of this  
 16 section from being allowed to an individual re-  
 17 ceiving retired or retainer pay by reason of  
 18 being a member or former member of the uni-  
 19 formed services of the United States with re-  
 20 spect to a choice between such pay and benefits  
 21 under the health benefits programs established  
 22 by chapter 55 of title 10, United States Code.”.

23           (b) EFFECTIVE DATE.—The amendment made by  
 24 this section shall apply to taxable years beginning after  
 25 the date of the enactment of this Act.

1 **SEC. 2. DEDUCTION FOR TRICARE SUPPLEMENTAL PRE-**  
2 **MIUMS.**

3 (a) IN GENERAL.—Part VII of subchapter B of chap-  
4 ter 1 of the Internal Revenue Code of 1986 (relating to  
5 additional itemized deductions for individuals) is amended  
6 by redesignating section 224 as section 225 and by insert-  
7 ing after section 223 the following new section:

8 **“SEC. 224. TRICARE SUPPLEMENTAL PREMIUMS OR EN-**  
9 **ROLLMENT FEES.**

10 “(a) ALLOWANCE OF DEDUCTION.—In the case of an  
11 individual, there shall be allowed as a deduction the  
12 amounts paid during the taxable year by the taxpayer for  
13 insurance purchased as supplemental coverage to the  
14 health benefits programs established by chapter 55 of title  
15 10, United States Code, for the taxpayer and the tax-  
16 payer’s spouse and dependents.

17 “(b) COORDINATION WITH MEDICAL DEDUCTION.—  
18 Any amount allowed as a deduction under subsection (a)  
19 shall not be taken into account in computing the amount  
20 allowable to the taxpayer as a deduction under section  
21 213(a).”.

22 (b) DEDUCTION ALLOWED WHETHER OR NOT INDI-  
23 VIDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)  
24 of section 62 of the Internal Revenue Code of 1986 (defin-  
25 ing adjusted gross income) is amended by redesignating  
26 paragraph (19) (as added by section 703(a) of the Amer-

1 can Jobs Creation Act of 2004) as paragraph (20) and  
 2 by inserting after paragraph (20) (as so redesignated) the  
 3 following new paragraph:

4           “(21) TRICARE SUPPLEMENTAL PREMIUMS  
 5           OR ENROLLMENT FEES.—The deduction allowed by  
 6           section 224.”.

7           (c) CLERICAL AMENDMENT.—The table of sections  
 8 for part VII of subchapter B of chapter 1 of the Internal  
 9 Revenue Code of 1986 is amended by striking the last  
 10 item and inserting the following new items:

“Sec. 224. TRICARE supplemental premiums or enrollment fees.

“Sec. 225. Cross reference.”.

11           (d) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to taxable years beginning after  
 13 the date of the enactment of this Act.

14 **SEC. 3. IMPLEMENTATION.**

15           (a) FEHBP PREMIUM CONVERSION OPTION FOR  
 16 FEDERAL CIVILIAN RETIREES.—The Director of the Of-  
 17 fice of Personnel Management shall take such actions as  
 18 the Director considers necessary so that the option made  
 19 possible by section 125(g)(5)(A) of the Internal Revenue  
 20 Code of 1986 shall be offered beginning with the first open  
 21 enrollment period, afforded under section 8905(g)(1) of  
 22 title 5, United States Code, which begins not less than  
 23 90 days after the date of the enactment of this Act.

1           (b) TRICARE PREMIUM CONVERSION OPTION FOR  
2 MILITARY RETIREES.—The Secretary of Defense, after  
3 consulting with the other administering Secretaries (as  
4 specified in section 1073 of title 10, United States Code),  
5 shall take such actions as the Secretary considers nec-  
6 essary so that the option made possible by section  
7 125(g)(5)(B) of the Internal Revenue Code of 1986 shall  
8 be offered beginning with the first open enrollment period  
9 afforded under health benefits programs established under  
10 chapter 55 of such title, which begins not less than 90  
11 days after the date of the enactment of this Act.

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