

110TH CONGRESS  
1ST SESSION

# H. R. 1820

To amend the Internal Revenue Code of 1986 to extend the exclusion from gross income for employer-provided health coverage for employees' spouses and dependent children to coverage provided to other eligible designated beneficiaries of employees.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 2007

Mr. McDERMOTT 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 extend the exclusion from gross income for employer-provided health coverage for employees' spouses and dependent children to coverage provided to other eligible designated beneficiaries of employees.

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 “Tax Equity for Health  
5       Plan Beneficiaries Act of 2007”.

1 **SEC. 2. APPLICATION OF ACCIDENT AND HEALTH PLANS**  
 2 **TO ELIGIBLE BENEFICIARIES.**

3 (a) **EXCLUSION OF CONTRIBUTIONS.**—Section 106 of  
 4 the Internal Revenue Code of 1986 (relating to contribu-  
 5 tions by employer to accident and health plans) is amend-  
 6 ed by adding at the end the following new subsection:

7 “(f) **COVERAGE PROVIDED FOR ELIGIBLE BENE-**  
 8 **FICIARIES OF EMPLOYEES.**—

9 “(1) **IN GENERAL.**—Subsection (a) shall apply  
 10 with respect to an eligible beneficiary and any quali-  
 11 fying child who is a dependent of the eligible bene-  
 12 ficiary.

13 “(2) **QUALIFYING CHILD; DEPENDENT.**—For  
 14 purposes of this subsection—

15 “(A) **QUALIFYING CHILD.**—The term  
 16 ‘qualifying child’ has the meaning given such  
 17 term by section 152(c).

18 “(B) **DEPENDENT.**—The term ‘dependent’  
 19 has the meaning given such term by section  
 20 105(b).”.

21 (b) **EXCLUSION OF AMOUNTS EXPENDED FOR MED-**  
 22 **ICAL CARE.**—The first sentence of section 105(b) of such  
 23 Code (relating to amounts expended for medical care) is  
 24 amended by inserting before the period the following: “and  
 25 eligible beneficiary and the qualifying children of the eligi-

1 ble beneficiary (within the meaning of section 106(f)) with  
2 respect to the taxpayer”.

3 (c) PAYROLL TAXES.—

4 (1) Section 3121(a)(2) of such Code is amend-  
5 ed—

6 (A) by inserting “, or his eligible bene-  
7 ficiary or any qualifying children of the eligible  
8 beneficiary,” after “his dependents” both places  
9 it appears,

10 (B) by inserting “, and eligible bene-  
11 ficiaries and qualifying children of eligible bene-  
12 ficiaries (within the meaning of section  
13 106(f)),” after “their dependents” the first  
14 place it appears, and

15 (C) by inserting “, eligible beneficiaries,  
16 and qualifying children of eligible beneficiaries”  
17 after “their dependents” the second place it ap-  
18 pears.

19 (2) Section 3231(e)(1) of such Code is amend-  
20 ed—

21 (A) by inserting “, or his eligible bene-  
22 ficiary or any qualifying children of his eligible  
23 beneficiary,” after “his dependents”,

24 (B) by inserting “, and eligible bene-  
25 ficiaries and qualifying children of eligible bene-

1           ficiaries (within the meaning of section  
2           106(f)),” after “their dependents” the first  
3           place it appears, and

4           (C) by inserting “, eligible beneficiaries,  
5           and qualifying children of eligible beneficiaries”  
6           after “their dependents” the second place it ap-  
7           pears.

8           (3) Section 3306(b)(2) of such Code is amend-  
9           ed—

10           (A) by inserting “, or his eligible bene-  
11           ficiary or any qualifying children of his eligible  
12           beneficiary,” after “his dependents” both places  
13           it appears,

14           (B) by inserting “, and eligible bene-  
15           ficiaries and qualifying children of eligible bene-  
16           ficiaries (within the meaning of section  
17           106(f)),” after “their dependents” the first  
18           place it appears, and

19           (C) by inserting “, eligible beneficiaries,  
20           and qualifying children of eligible beneficiaries”  
21           after “their dependents” the second place it ap-  
22           pears.

23           (4) Section 3401(a) of such Code is amended  
24           by striking “or” at the end of paragraph (21), by  
25           striking the period at the end of paragraph (22) and

1 inserting “; or”, and by inserting after paragraph  
 2 (22) the following new paragraph:

3 “(23) for any payment made to or for the ben-  
 4 efit of an employee or his eligible beneficiary or any  
 5 qualifying children of his eligible beneficiary (within  
 6 the meaning of section 106(f)) if at the time of such  
 7 payment it is reasonable to believe that the employee  
 8 will be able to exclude such payment from income  
 9 under section 106(f) or under section 105 by ref-  
 10 erence in section 105(b) to section 106(f);”.

11 (d) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to taxable years beginning after  
 13 December 31, 2006.

14 **SEC. 3. EXPANSION OF DEPENDENCY FOR PURPOSES OF**  
 15 **DEDUCTION FOR HEALTH INSURANCE COSTS**  
 16 **OF SELF-EMPLOYED INDIVIDUALS.**

17 (a) IN GENERAL.—Subsection (l) of section 162 of  
 18 the Internal Revenue Code of 1986 (relating to special  
 19 rules for health insurance costs of self-employed individ-  
 20 uals) is amended by adding at the end the following new  
 21 paragraph:

22 “(6) DEPENDENTS.—For purposes of this sub-  
 23 section, the term ‘dependents’ shall include the fol-  
 24 lowing with respect to the taxpayer—

1           “(A) any individual who satisfies the re-  
 2           quirements of sections 152(c)(3)(A) and  
 3           152(d)(2)(H) (determined without regard to  
 4           subsections (d)(1)(B) and (d)(1)(D) thereof),  
 5           and

6           “(B) one individual who does not satisfy  
 7           the requirements of section 152(c)(3)(A), but  
 8           who satisfies the requirements of section  
 9           152(d)(2)(H) (determined without regard to  
 10          subsections (d)(1)(B) and (d)(1)(C) thereof).”.

11          (b) CONFORMING AMENDMENT.—Subparagraph (B)  
 12          of section 162(l)(2) of such Code is amended by inserting  
 13          “or dependent (as defined in paragraph (1))” after  
 14          “spouse”.

15          (c) EFFECTIVE DATE.—The amendments made by  
 16          this section shall apply to taxable years beginning after  
 17          December 31, 2006.

18      **SEC. 4. EXTENSION TO ELIGIBLE BENEFICIARIES OF SICK**  
 19                              **AND ACCIDENT BENEFITS PROVIDED TO**  
 20                              **MEMBERS OF A VOLUNTARY EMPLOYEES’**  
 21                              **BENEFICIARY ASSOCIATION AND THEIR DE-**  
 22                              **PENDENTS.**

23          (a) IN GENERAL.—Section 501(c)(9) of the Internal  
 24          Revenue Code of 1986 (relating to list of exempt organiza-  
 25          tions) is amended by adding at the end the following new

1 sentence: “For purposes of providing for the payment of  
 2 sick and accident benefits to members of such an associa-  
 3 tion and their dependents, the term ‘dependents’ shall in-  
 4 clude any individual who is an eligible beneficiary, or  
 5 qualified child of an eligible beneficiary, as determined  
 6 under the terms of a medical benefit, health insurance,  
 7 or other program under which members and their depend-  
 8 ents are entitled to sick and accident benefits.”.

9 (b) EFFECTIVE DATE.—The amendment made by  
 10 this section shall apply to taxable years beginning after  
 11 December 31, 2006.

12 **SEC. 5. FLEXIBLE SPENDING ARRANGEMENTS AND HEALTH**  
 13 **REIMBURSEMENT ARRANGEMENTS.**

14 The Secretary of Treasury shall issue guidance of  
 15 general applicability providing that medical expenses that  
 16 otherwise qualify—

17 (1) for reimbursement from a flexible spending  
 18 arrangement under regulations in effect on the date  
 19 of the enactment of this Act may be reimbursed  
 20 from an employee’s flexible spending arrangement,  
 21 notwithstanding the fact that such expenses are at-  
 22 tributable to an individual who is the employee’s eli-  
 23 gible beneficiary under any accident or health plan  
 24 of the employer, and

1           (2) for reimbursement from a health reimburse-  
2           ment arrangement under regulations in effect on the  
3           date of the enactment of this Act may be reimbursed  
4           from an employee's health reimbursement arrange-  
5           ment, notwithstanding the fact that such expenses  
6           are attributable to an individual who is not a spouse  
7           or dependent within the meaning of section 152 but  
8           who is designated by the employee as eligible to have  
9           his or her expenses reimbursed under the health re-  
10          imbursement arrangement.

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