

112TH CONGRESS
1ST SESSION

H. R. 2088

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.

IN THE HOUSE OF REPRESENTATIVES

JUNE 2, 2011

Mr. McDERMOTT (for himself, Mr. HANNA, Ms. HAYWORTH, and Mr. BLUMENAUER) 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 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 Parity for Health
5 Plan Beneficiaries Act of 2011".

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

9 “(1) **IN GENERAL.**—Subsection (a) shall apply
10 with respect to employer-provided coverage under an
11 accident or health plan for any eligible beneficiary of
12 the employee.

13 “(2) **ELIGIBLE BENEFICIARY.**—For purposes of
14 this subsection, the term ‘eligible beneficiary’ means
15 any individual who is eligible to receive benefits or
16 coverage under an accident or health plan.”.

17 (b) **EXCLUSION OF AMOUNTS EXPENDED FOR MED-**
18 **ICAL CARE.**—The first sentence of section 105(b) of such
19 Code (relating to amounts expended for medical care) is
20 amended—

21 (1) by striking “and any child” and inserting
22 “any child”, and

23 (2) by inserting “and any eligible beneficiary
24 (within the meaning of section 106(g)) with respect
25 to the taxpayer” after “age 27”.

26 (c) **PAYROLL TAXES.**—

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

3 (A) by striking “or any of his dependents”
4 in the matter preceding subparagraph (A) and
5 inserting “, any of his dependents, or any eligi-
6 ble beneficiary (within the meaning of section
7 106(g)) with respect to the employee”,

8 (B) by striking “or any of his dependents,”
9 in subparagraph (A) and inserting “, any of his
10 dependents, or any eligible beneficiary (within
11 the meaning of section 106(g)) with respect to
12 the employee,” and

13 (C) by striking “and their dependents”
14 both places it appears and inserting “and such
15 employees’ dependents and eligible beneficiaries
16 (within the meaning of section 106(g))”.

17 (2) Section 3231(e)(1) of such Code is amend-
18 ed—

19 (A) by striking “or any of his dependents”
20 and inserting “, any of his dependents, or any
21 eligible beneficiary (within the meaning of sec-
22 tion 106(g)) with respect to the employee,”
23 and

24 (B) by striking “and their dependents”
25 both places it appears and inserting “and such

1 employees' dependents and eligible beneficiaries
2 (within the meaning of section 106(g))”.

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

5 (A) by striking “or any of his dependents”
6 in the matter preceding subparagraph (A) and
7 inserting “, any of his dependents, or any eligi-
8 ble beneficiary (within the meaning of section
9 106(g)) with respect to the employee,”,

10 (B) by striking “or any of his dependents”
11 in subparagraph (A) and inserting “, any of his
12 dependents, or any eligible beneficiary (within
13 the meaning of section 106(g)) with respect to
14 the employee”, and

15 (C) by striking “and their dependents”
16 both places it appears and inserting “and such
17 employees' dependents and eligible beneficiaries
18 (within the meaning of section 106(g))”.

19 (4) Section 3401(a) of such Code is amended
20 by striking “or” at the end of paragraph (22), by
21 striking the period at the end of paragraph (23) and
22 inserting “; or”, and by inserting after paragraph
23 (23) the following new paragraph:

24 “(24) for any payment made to or for the ben-
25 efit of an employee or any eligible beneficiary (within

1 the meaning of section 106(g)) if at the time of such
2 payment it is reasonable to believe that the employee
3 will be able to exclude such payment from income
4 under section 106 or under section 105 by reference
5 in section 105(b) to section 106(g).”.

6 (d) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2011.

9 **SEC. 3. EXPANSION OF DEPENDENCY FOR PURPOSES OF**
10 **DEDUCTION FOR HEALTH INSURANCE COSTS**
11 **OF SELF-EMPLOYED INDIVIDUALS.**

12 (a) IN GENERAL.—Paragraph (1) of section 162(l)
13 of the Internal Revenue Code of 1986 is amended by strik-
14 ing “and” at the end of subparagraph (C), by striking the
15 period at the end of subparagraph (D) and inserting a
16 comma and by adding at the end the following new sub-
17 paragraphs:

18 “(E) any individual who—

19 “(i) satisfies the age requirements of
20 section 152(c)(3)(A),

21 “(ii) bears a relationship to the tax-
22 payer described in section 152(d)(2)(H),
23 and

24 “(iii) meets the requirements of sec-
25 tion 152(d)(1)(C), and

1 “(F) one individual who—
2 “(i) is at least age 19,
3 “(ii) bears a relationship to the tax-
4 payer described in section 152(d)(2)(H),
5 and
6 “(iii) is not the spouse of the taxpayer
7 and does not bear any relationship to the
8 taxpayer described in subparagraphs (A)
9 through (G) of section 152(d)(2).”.

10 (b) CONFORMING AMENDMENT.—Subparagraph (B)
11 of section 162(l)(2) of such Code is amended by inserting
12 “, (E), or (F)” after “subparagraph (D)”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 2011.

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

21 (a) IN GENERAL.—Section 501(c)(9) of the Internal
22 Revenue Code of 1986 (relating to list of exempt organiza-
23 tions) is amended by inserting “and any individual who
24 is an eligible beneficiary (within the meaning of section

1 106(g)), as determined under the terms of a medical ben-
2 efit, health insurance, or other program” after “age 27”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2011.

6 **SEC. 5. FLEXIBLE SPENDING ARRANGEMENTS AND HEALTH**
7 **REIMBURSEMENT ARRANGEMENTS.**

8 The Secretary of Treasury shall issue guidance of
9 general applicability within 180 days of enactment of this
10 Act providing that medical expenses that otherwise qual-
11 ify—

12 (1) for reimbursement from a flexible spending
13 arrangement under regulations in effect on the date
14 of the enactment of this Act may be reimbursed
15 from an employee’s flexible spending arrangement,
16 notwithstanding the fact that such expenses are at-
17 tributable to any individual who is not the employ-
18 ee’s spouse or dependent (within the meaning of sec-
19 tion 105(b) of the Internal Revenue Code of 1986)
20 but is an eligible beneficiary (within the meaning of
21 section 106(g) of such Code) under the flexible
22 spending arrangement with respect to the employee,
23 and

24 (2) for reimbursement from a health reimburse-
25 ment arrangement under regulations in effect on the

1 date of the enactment of this Act may be reimbursed
2 from an employee's health reimbursement arrange-
3 ment, notwithstanding the fact that such expenses
4 are attributable to an individual who is not a spouse
5 or dependent (within the meaning of section 105(b)
6 of such Code) but is an eligible beneficiary (within
7 the meaning of section 106(g) of such Code) under
8 the health reimbursement arrangement with respect
9 to the employee.

10 **SEC. 6. EXTENSION OF QUALIFIED MEDICAL EXPENSES**
11 **FROM HEALTH SAVINGS ACCOUNTS.**

12 (a) IN GENERAL.—Subparagraph (A) of section
13 223(d)(2) of the Internal Revenue Code of 1986 (relating
14 to qualified medical expenses) is amended—

15 (1) by striking “and any dependent” and in-
16 serting “any dependent”, and

17 (2) by inserting “, and any qualified bene-
18 ficiary” after “thereof”).

19 (b) QUALIFIED BENEFICIARY.—Section 223(d)(2) of
20 such Code is amended by inserting after subparagraph (C)
21 the following new subparagraph:

22 “(D) QUALIFIED BENEFICIARY.—For pur-
23 poses of subparagraph (A), the term ‘qualified
24 beneficiary’ means any individual who is de-

1 scribed in subparagraph (D) or (E) of section
2 162(l)(1).”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2011.

6 **SEC. 7. EXTENSION OF FUNDING MECHANISM FOR MED-**
7 **ICAL BENEFITS FOR RETIREES AND THEIR**
8 **FAMILIES.**

9 (a) IN GENERAL.—Section 401(h) of the Internal
10 Revenue Code of 1986 is amended by inserting “, and any
11 eligible beneficiary (within the meaning of section 106(g))
12 of the retired employee” after “age 27”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to taxable years beginning after
15 December 31, 2011.

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