H. R. 3076

To amend the Internal Revenue Code of 1986 to allow individuals a credit against income tax for the cost of insurance against negative outcomes from surgery, including against malpractice of a physician.

IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2005

Mr. PAUL 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 individuals a credit against income tax for the cost of insurance against negative outcomes from surgery, including against malpractice of a physician.

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 "Freedom From Unnece-
5 ssary Litigation Act of 2005".
SEC. 2. CREDIT FOR PURCHASE BY PATIENT OF INSURANCE AGAINST NEGATIVE OUTCOMES RESULTING FROM SURGERY.

(a) In General.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable credits) is amended by inserting after section 25B the following new section:

“SEC. 25C. COST OF INSURANCE PURCHASED BY PATIENT AGAINST NEGATIVE OUTCOMES RESULTING FROM SURGERY.

“(a) In General.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the cost of negative outcomes insurance covering the individual or the spouse or any dependent (as defined in section 152) of the individual.

“(b) Negative Outcomes Insurance.—For purposes of this section, the term ‘negative outcomes insurance’ means insurance covering any negative side effect of surgery, including those caused by malpractice from the action or inaction of a physician.”.

(b) Conforming Amendment.—The table of sections for such subpart A of such Code is amended by inserting after the item relating to section 25B the following new item:
“Sec. 25C. Cost of insurance purchased by patient against negative outcomes resulting from surgery.”.

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

SEC. 3. EXCLUSION FROM GROSS INCOME FOR MEDICAL MALPRACTICE AWARDS GRANTED IN BINDING ARBITRATION.

(a) IN GENERAL.—Section 104 of the Internal Revenue Code of 1986 (relating to compensation for injuries or sickness) is amended by redesignated subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

“(d) MEDICAL MALPRACTICE BINDING ARBITRATION AWARDS.—In the case of damages awarded for medical malpractice in binding arbitration, gross income does not include such damages (whether for lost wages or otherwise).”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to damages awarded after the date of the enactment of this Act.