

105TH CONGRESS  
1ST SESSION

# H. R. 1698

To amend the Internal Revenue Code of 1986 to assist families in the purchase of coverage for children under school-based health insurance programs, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 21, 1997

Mr. STARK introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986 to assist families in the purchase of coverage for children under school-based health insurance programs, 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; FINDINGS; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “School-Based Children Health Insurance Act of 1997”.

6 (b) FINDINGS.—Congress finds that—

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(2) no family should be forced to choose between health care for its children and other essential needs;

(3) 10,500,000 children in the United States under the age of 19 have no health insurance coverage, and 90 percent of these children have parents who work, and too many of these children go without needed health care;

(4) families have an obligation to contribute to the cost of health insurance coverage for their children, consistent with their ability to pay; and

(5) the Federal Government has an obligation to help families provide health insurance coverage for children; and

(6) local public and private schools can provide  
a means for providing efficient and effective access  
to health insurance for the nation's children.

(c) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 2. Refundable credit for purchase of school-based health insurance coverage for children.

Sec. 4. Grants to States for health insurance outreach and information programs.

1 **SEC. 2. REFUNDABLE CREDIT FOR PURCHASE OF SCHOOL-**  
2 **BASED HEALTH INSURANCE COVERAGE FOR**  
3 **CHILDREN.**

4 (a) GENERAL RULE.—Subpart C of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 is amended by redesignating section 35 as section  
7 36 and by inserting after section 34 the following new sec-  
8 tion:

9 **“SEC. 35. PURCHASE OF SCHOOL-BASED HEALTH INSUR-**  
10 **ANCE COVERAGE FOR CHILDREN.**

11 “(a) GENERAL RULE.—In the case of an individual,  
12 there shall be allowed as a credit against the tax imposed  
13 by this subtitle for the taxable year an amount equal to  
14 the amount (if any) by which—

15 “(1) the amount owed by the taxpayer during  
16 the taxable year for qualified school-based health in-  
17 surance coverage for a qualifying child of the tax-  
18 payer; exceeds

19 “(2) the sum of—

20 “(A) the required contribution amount for  
21 such child,

22 “(B) the amount (if any) of an employer  
23 contribution that is made (or offered to be  
24 made) on behalf of the individual toward the  
25 premium for the insurance coverage for periods  
26 during such year, and

1           “(C) the amount of any credit under sec-  
 2           tion 30B sought by the entity offering the  
 3           qualified school-based program with respect to  
 4           the qualifying child.

5           “(b) LIMITATIONS BASED ON ADJUSTED GROSS IN-  
 6           COME; REQUIRED CONTRIBUTION LEVEL.—

7           “(1) LIMITATION BASED ON AGI.—

8           “(A) IN GENERAL.—No credit shall be al-  
 9           lowed under subsection (a) for any taxable year  
 10          for which the taxpayer’s adjusted gross income  
 11          exceeds the applicable dollar amount by  
 12          \$10,000 or more.

13          “(B) PHASEOUT.—If the taxpayer’s ad-  
 14          justed gross income for the taxable year exceeds  
 15          the applicable dollar amount by less than  
 16          \$10,000, the credit which would (but for this  
 17          paragraph) be allowed under subsection (a)  
 18          shall be reduced (but not below zero) by an  
 19          amount which bears the same ratio to such  
 20          credit as such excess bears to \$10,000. Any re-  
 21          duction under the preceding sentence which is  
 22          not a multiple of \$10 shall be rounded to the  
 23          next lowest \$10.

1                   “(C) APPLICABLE DOLLAR AMOUNT.—The  
2                   term ‘applicable dollar amount’ means the sum  
3                   of—

4                   “(i) \$15,000, plus

5                   “(ii) \$5,000 for each qualifying child  
6                   of the taxpayer who is covered by the in-  
7                   surance referred to in subsection (a).

8                   “(2) REQUIRED CONTRIBUTION AMOUNT.—For  
9                   purposes of subsection (a), the required contribution  
10                  amount for a child of a taxpayer who has obtained  
11                  qualified school-based health insurance coverage is  
12                  equal to the minimum contribution amount estab-  
13                  lished with respect to such coverage under sub-  
14                  section (d)(4)(A)(i) plus the same proportion of the  
15                  excess by which the reference premium amount ex-  
16                  ceeds such minimum contribution amount as the  
17                  proportion that (A) the excess of the taxpayer’s ad-  
18                  justed gross income over the phaseout amount de-  
19                  scribed in paragraph (1)(B), bears to (B) such  
20                  phaseout amount.

21                  “(c) QUALIFYING CHILD.—

22                  “(1) IN GENERAL.—Subject to paragraph (2),  
23                  for the purposes of this section, the term ‘qualifying  
24                  child’ has the meaning given such term by section  
25                  32(c)(3).

1           “(2) EXCEPTIONS.—Such term does not in-  
2       clude—

3           “(A) an individual who has applied and  
4       been determined eligible for medical assistance  
5       under title XIX of the Social Security Act, until  
6       such time as the individual is no longer eligible  
7       for such assistance; and

8           “(B) an individual who is residing in a  
9       State (as defined for purposes of such title)  
10      that the Secretary of Health and Human Serv-  
11      ices determines has reduced eligibility require-  
12      ments for children under a State plan under  
13      such title below that in effect as of January 1,  
14      1997, until such time as such Secretary deter-  
15      mines the State no longer has reduced such re-  
16      quirements.

17      “(d) QUALIFIED SCHOOL-BASED HEALTH INSUR-  
18      ANCE COVERAGE.—For purposes of this section—

19           “(1) IN GENERAL.—The term ‘qualified school-  
20      based health insurance coverage’ means health in-  
21      surance coverage (as defined in section 9805(b)(1))  
22      that the Secretary of Health and Human Services  
23      certifies to the Secretary meets the following re-  
24      quirements:

1           “(A) The coverage is offered by a qualified  
2 school-based program.

3           “(B) The coverage is made available to all  
4 children under 19 years of age who reside in  
5 the area served by the program.

6           “(C) The coverage provides the approxi-  
7 mate comprehensive benefits described in para-  
8 graph (3).

9           “(D) The coverage does not impose any  
10 lifetime maximum benefit limit with respect to  
11 a child that is less than \$1,000,000.

12           “(E) The coverage does not impose any  
13 cost sharing for covered preventive care.

14           “(F) The program offering the coverage  
15 does not impose any pre-existing condition ex-  
16 clusion (as defined in section 9801(b)(1)) and  
17 does not vary the coverage, benefits under the  
18 coverage, or premiums charged for such cov-  
19 erage based on the presence of a pre-existing  
20 condition or based upon any health-status relat-  
21 ed factor described in section 9802(a)(1).

22           “(G) The premiums charged for such cov-  
23 erage are established consistent with paragraph  
24 (4).

1           “(H) The program offering the coverage  
2           does not engage in any activity in relation to  
3           the coverage that directly or indirectly would  
4           have the effect of discriminating against an in-  
5           dividual on the basis of race, national origin, re-  
6           ligion, gender, sexual orientation, language,  
7           health status, anticipated need for health serv-  
8           ices, age (with respect to qualified children), or,  
9           except as provided with respect to premiums  
10          under paragraph (4), socio-economic status.

11          “(2) QUALIFIED SCHOOL-BASED PROGRAM.—

12                 “(A) IN GENERAL.—The term ‘qualified  
13                 school-based program’ means a program that is  
14                 operated directly by, or under the control of one  
15                 or more of the following (or any combination  
16                 thereof, whether or not in the same State):

17                         “(i) A local educational agency (as de-  
18                         fined in section 14101 of the Elementary  
19                         and Secondary Education Act of 1965).

20                         “(ii) A State educational agency (as  
21                         defined in such section).

22                         “(iii) Another public or private non-  
23                         profit organization that operates one or  
24                         more private elementary or secondary  
25                         schools (as such term is used in such Act).



1           “(B) CONSTRUCTION.—Nothing in this  
2           section shall be construed as preventing a State  
3           agency from providing support and assistance  
4           in the operation of a qualified school-based pro-  
5           gram, including assistance in the filing of re-  
6           ports required under section 6050S.

7           “(3) COMPREHENSIVE BENEFITS.—The com-  
8           prehensive benefits described in this paragraph in-  
9           clude the following (as defined by Secretary of  
10          Health and Human Services):

11           “(A) Well-baby and well-child care, includ-  
12          ing immunizations.

13           “(B) Physicians services, including pri-  
14          mary and specialty services and medical and  
15          surgical procedures.

16           “(C) Laboratory tests.

17           “(D) Inpatient and outpatient hospital  
18          services.

19           “(E) Emergency services and emergency  
20          medical transportation.

21           “(F) Prescription drugs and biologicals, in-  
22          cluding immunizations.

23           “(G) Vision screening and glasses.

24           “(H) Hearing screening and hearing aids.

1                   “(I) Dental screening and basic dental  
2                   care.

3                   “(J) Physical therapy.

4                   “(K) Mental health services.

5                   “(L) Pre-natal care and delivery.

6           Nothing in this section shall be construed as requir-  
7           ing coverage of benefits for items and services that  
8           are not medically necessary or reasonable. Nothing  
9           in this section shall be construed to compel any child  
10          to undergo any medical screening, examination, di-  
11          agnosis, or treatment or to accept any other health  
12          care or services provided under a school-based pro-  
13          gram for any purpose if the parent or guardian of  
14          the child objects thereto on the basis of religious be-  
15          lief or moral convictions or to require a school-based  
16          program that is operated by a religious organization  
17          to cover benefits for items or services to which the  
18          organization objects thereto on the basis of religious  
19          belief or moral convictions.

20                   “(4) ESTABLISHMENT OF PREMIUMS.—

21                   “(A) IN GENERAL.—The premiums  
22                   charged by a school-based program with respect  
23                   to coverage of a child who is a dependent of a  
24                   taxpayer are established consistent with this  
25                   paragraph if the following conditions are met:

1           “(i) ESTABLISHMENT OF MINIMUM  
2           CONTRIBUTION AMOUNT.—The program  
3           sets a minimum contribution amount  
4           which is not less than 10 percent, and not  
5           more than 20 percent, of the reference pre-  
6           mium amount.

7           “(ii) FULLY-SUBSIDIZED CHIL-  
8           DREN.—In the case of a child of a tax-  
9           payer whose adjusted gross income does  
10          not exceed the applicable dollar amount (as  
11          defined in subsection (b)(1)(C)), the pre-  
12          mium charged may not exceed 80 percent  
13          of the reference premium amount.

14          “(iii) PARTIALLY-SUBSIDIZED CHIL-  
15          DREN.—In the case of a child of a tax-  
16          payer whose adjusted gross income exceeds  
17          such applicable dollar amount by less than  
18          the phaseout amount specified in sub-  
19          section (b)(1)(B), the premium may not  
20          exceed 80 percent of the reference pre-  
21          mium amount, plus 20 percent of such ref-  
22          erence premium amount multiplied by the  
23          phaseout ratio.

24          “(iv) PHASEOUT RATIO.—For pur-  
25          poses of clause (iii), the phaseout ratio for

1 a taxpayer is the ratio of (I) the amount  
 2 by which the taxpayer's adjusted gross in-  
 3 come exceeds the phaseout amount speci-  
 4 fied in subsection (b)(1)(B)), to (II) such  
 5 phaseout amount.

6 “(B) REFERENCE PREMIUM AMOUNT.—

7 For purposes of this paragraph, the term ‘ref-  
 8 erence premium amount’ means the premium  
 9 charged with respect to a child with respect to  
 10 whom no credit is allowed under subsection (a).

11 “(e) SPECIAL RULES.—

12 “(1) ONLY QUALIFYING CHILDREN MAY BE  
 13 COVERED BY INSURANCE.—No amount shall be  
 14 treated as paid for insurance under subsection (a) if  
 15 any individual other than a qualifying child of the  
 16 taxpayer is covered under such insurance. The prin-  
 17 ciples of section 213(d)(6) shall apply for purposes  
 18 of the preceding sentence.

19 “(2) CERTAIN RULES TO APPLY.—Rules similar  
 20 to the rules of subsections (d), (e), and (h) of section  
 21 32, and section 213(d)(6), shall apply for purposes  
 22 of this section.

23 “(3) DISQUALIFICATION OF CERTAIN INSUR-  
 24 ANCE.—If the Secretary of Health and Human Serv-  
 25 ices determines, based on information provided by a

1 State or otherwise, that an issuer of insurance under  
2 this section has engaged in a pattern of abuse or  
3 misrepresentation of such insurance, this section  
4 shall not apply to insurance issued by such issuer  
5 until such Secretary is satisfied that such pattern  
6 has been remedied and will not recur.

7 “(f) COORDINATION WITH OTHER PROVISIONS.—

8 “(1) DEDUCTION FOR MEDICAL EXPENSES.—

9 The amount taken into account in computing the  
10 credit under subsection (a) shall not be taken into  
11 account in computing the amount allowable to the  
12 taxpayer as a deduction under section 213(a).

13 “(2) DEDUCTION FOR HEALTH INSURANCE  
14 COSTS OF SELF-EMPLOYED INDIVIDUALS.—No  
15 amount taken into account under section 162(l) may  
16 be taken into account under this section.

17 “(g) CONSTRUCTION.—Nothing in title XIX of the  
18 Social Security Act shall be construed to prevent a State  
19 plan under such title from providing medical assistance,  
20 in part, through the purchase of qualified school-based  
21 health insurance coverage.”

22 (b) APPLICATION THROUGH TAX CREDIT FOR  
23 QUALIFIED SCHOOL-BASED PROGRAMS.—Subpart B of  
24 part IV of subchapter A of chapter 1 of the Internal Reve-

1 nue Code of 1986 (relating to other credits) is amended  
 2 by adding at the end the following:

3 **“SEC. 30B. CHILDREN’S HEALTH COVERAGE SUBSIDY CRED-**  
 4 **IT FOR QUALIFIED SCHOOL-BASED PRO-**  
 5 **GRAMS.**

6 “(a) DETERMINATION OF AMOUNT.—There shall be  
 7 allowed as a credit against the applicable tax for the tax-  
 8 able year an amount equal to the eligible premium sub-  
 9 sidies provided by an entity that operates a qualified  
 10 school-based program for qualified school-based health in-  
 11 surance coverage during the taxable year.

12 “(b) APPLICABLE TAX.—For purposes of this sec-  
 13 tion, the term ‘applicable tax’ means the excess (if any)  
 14 of—

15 “(1) the sum of—

16 “(A) the tax imposed under this chapter  
 17 (other than the taxes imposed under the provi-  
 18 sions described in subparagraphs (C) through  
 19 (O) of section 26(b)(1)), plus

20 “(B) the tax imposed under chapter 21,  
 21 over

22 “(2) the credits allowable under subparts B and  
 23 D of this part.

24 “(c) ELIGIBLE PREMIUM SUBSIDIES.—For purposes  
 25 of this section, the term ‘eligible premium subsidies’

1 means, with respect to the entity operating a qualified  
 2 school-based program, the amount of the excess described  
 3 in section 35(a) (determined without regard to this sec-  
 4 tion) for qualifying children (as defined in section 35(c))  
 5 enrolled in the program.

6 “(d) OTHER DEFINITIONS.—For purposes of this  
 7 section, the terms ‘qualifying child’, ‘qualified school-based  
 8 health insurance coverage’, and ‘qualified school-based  
 9 program’ have the meanings given such terms in section  
 10 35.”.

11 (c) REPORTING.—

12 (1) IN GENERAL.—Subpart B of part III of  
 13 subchapter A of chapter 61 of such Code is amended  
 14 by adding at the end the following new section:

15 **“SEC. 6050S. RETURNS RELATING TO PREMIUMS OWED FOR**  
 16 **HEALTH INSURANCE COVERAGE FOR CHIL-**  
 17 **DREN.**

18 “(a) REQUIREMENT OF REPORTING.—Any entity  
 19 that operates a qualified school-based program (as defined  
 20 in section 35(d)(2)) who is owed by any individual any  
 21 premium for coverage to which section 35 applies shall  
 22 make a return, according to the forms or regulations pre-  
 23 scribed by the Secretary, setting forth—

24 “(1) the aggregate amount of such premiums  
 25 owed from such individual during any calendar year,

1           “(2) the name, address, and TIN of such indi-  
2       vidual, and

3           “(3) such other information as the Secretary  
4       may prescribe.

5       “(b) STATEMENTS TO BE FURNISHED TO INDIVID-  
6       UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
7       QUIRED.—Every person required to make a return under  
8       subsection (a) shall furnish to each individual whose name  
9       is required to be set forth in such return a written state-  
10      ment showing—

11           “(1) the name, address, and phone number of  
12      the information contact of the person required to  
13      make such return, and

14           “(2) the aggregate amount of premiums de-  
15      scribed in subsection (a) owed to such person by  
16      such individual.

17      The written statement required under the preceding sen-  
18      tence shall be furnished to the individual on or before Jan-  
19      uary 31 of the year following the calendar year for which  
20      the return under subsection (a) was required to be made.”

21           (2) PENALTIES.—

22           (A) Subparagraph (B) of section  
23      6724(d)(1) of such Code is amended by redesign-  
24      nating clauses (x) through (xv) as clauses (xi)



1 through (xvi), respectively, and by inserting  
 2 after clause (ix) the following new clause:

3 “(x) section 6050S (relating to report-  
 4 ing of premiums owed for health insurance  
 5 coverage for children),”.

6 (B) Paragraph (2) of section 6724(d) of  
 7 such Code is amended by redesignating sub-  
 8 paragraph (R) and the succeeding subpara-  
 9 graphs as subparagraphs (S) and following, re-  
 10 spectively, and by inserting after subparagraph  
 11 (Q) the following new subparagraph:

12 “(R) section 6050S(b) (relating to report-  
 13 ing of premiums owed for health insurance cov-  
 14 erage for children),”.

15 (d) TECHNICAL AND CONFORMING AMENDMENTS.—

16 (1) Paragraph (2) of section 1324(b) of title  
 17 31, United States Code, is amended by inserting be-  
 18 fore the period “or from section 35 of such Code”.

19 (2) The table of sections for subpart C of part  
 20 IV of subchapter A of chapter 1 of the Internal Rev-  
 21 enue Code of 1986 is amended by striking the item  
 22 relating to section 35 and inserting the following  
 23 new items:

“Sec. 35. Purchase of school-based health insurance coverage for  
 children.

“Sec. 36. Overpayments of tax.”

1           (3) The table of sections for subpart B of part  
 2           IV of subchapter A of chapter 1 of such Code is  
 3           amended by adding at the end the following new  
 4           item:

                  “Sec. 30B. Children’s health coverage subsidy credit for qualified  
                   school-based programs.”

5           (4) The table of sections for subpart B of part  
 6           III of subchapter A of chapter 61 of such Code is  
 7           amended by adding at the end the following new  
 8           item:

                  “Sec. 6050S. Returns relating to premiums owed for health insur-  
                   ance coverage for children.”

9           (e) EFFECTIVE DATE.—

10           (1) IN GENERAL.—Except as otherwise pro-  
 11           vided in this subsection, the amendments made by  
 12           this section shall apply to taxable years beginning  
 13           after December 31, 1997, for amounts owed for cov-  
 14           erage periods beginning after such date.

15           (2) PROGRAM CREDIT.—The amendment made  
 16           by subsection (b) shall apply to amounts owed for  
 17           coverage periods beginning after December 31,  
 18           1997.

19           (3) REPORTING.—The amendment made by  
 20           subsection (c) shall apply to amounts owed after De-  
 21           cember 31, 1997.

1 **SEC. 3. EMPLOYER MAY NOT DISCRIMINATE AGAINST SUB-**  
2 **SIDY ELIGIBLE INDIVIDUALS.**

3 (a) GENERAL RULE.—Any employer which elects to  
4 make employer contributions on behalf of an individual  
5 who is an employee of such employer, or who is a depend-  
6 ent of such employee, for health insurance coverage shall  
7 not condition, or vary, such contributions with respect to  
8 any such individual by reason of such individual's status  
9 as an individual eligible for a tax credit under section 35  
10 of the Internal Revenue Code of 1986 (as added by section  
11 3 of this Act).

12 (b) ELIMINATION OF CONTRIBUTIONS.—An employer  
13 shall not be treated as failing to meet the requirements  
14 of subsection (a) if the employer ceases to make employer  
15 contributions for health insurance coverage for all its em-  
16 ployees.

17 **SEC. 4. GRANTS TO STATES FOR HEALTH INSURANCE OUT-**  
18 **REACH AND INFORMATION PROGRAMS.**

19 (a) IN GENERAL.—The Secretary of Health and  
20 Human Services (in this section referred to as the “Sec-  
21 retary”) shall provide financial assistance to States in  
22 order to operate outreach and information programs that  
23 meet the requirements specified in subsection (b).

24 (b) REQUIREMENTS FOR OUTREACH AND INFORMA-  
25 TION PROGRAMS.—Each outreach and information pro-  
26 gram shall—

1           (1) target individuals eligible for access to  
2       school-based health insurance coverage described in  
3       section 35 of the Internal Revenue Code of 1986;

4           (2) provide comparative information on the poli-  
5       cies offered by issuers in the State under such sec-  
6       tion;

7           (3) assist individuals in purchasing policies  
8       under such section; and

9           (4) forward to the Secretary any findings by  
10      the State of a pattern of abuse or misrepresentation  
11      by the issuer of insurance for which a tax credit is  
12      available under section 35 of such Code.

13   The Secretary shall consider findings forwarded under  
14   paragraph (4) in determining whether a insurance contin-  
15   ues to qualify for purposes of obtaining a tax credit under  
16   section 35 of such Code.

17       (c) AMOUNT OF ASSISTANCE.—The Secretary shall  
18   determine the amount of financial assistance provided to  
19   a State under this section. In determining such amount,  
20   the Secretary shall take into account the number of quali-  
21   fying children (as defined in section 35(c) of such Code)  
22   in the State.

23       (d) APPLICATION REQUIRED.—No State is eligible  
24   for assistance under this section unless the State submits  
25   to the Secretary an application that is in such form, is

1 made in such manner, and contains such agreements, as-  
2 surances, and information as the Secretary determines to  
3 be necessary to carry out this section.

4 (e) AUTHORIZATION OF APPROPRIATIONS.—There  
5 are authorized to be appropriated for each fiscal year (be-  
6 ginning with fiscal year 1998) such sums as may be nec-  
7 essary to carry out this section.

○