

105TH CONGRESS
1ST SESSION

H. R. 539

To amend the Internal Revenue Code of 1986 to allow certain employees without employer-provided health coverage a refundable credit for their health insurance costs.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1997

Mr. McDERMOTT (for himself, Mr. RANGEL, Mr. STARK, Mr. NEAL of Massachusetts, Mr. COYNE, Mr. POMEROY, Mr. DELLUMS, Mr. SERRANO, Mr. MCGOVERN, Ms. BROWN of Florida, Ms. CHRISTIAN-GREEN, and Ms. JACKSON-LEE of Texas) 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 certain employees without employer-provided health coverage a refundable credit for their health insurance costs.

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. REFUNDABLE CREDIT FOR HEALTH INSUR-**
4 **ANCE COSTS OF EMPLOYEES.**

5 (a) IN GENERAL.—Subpart C of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 (relating to refundable personal credits) is amended

1 by redesignating section 35 as section 36 and by inserting
2 after section 34 the following new section:

3 **“SEC. 35. HEALTH INSURANCE COSTS OF EMPLOYEES.**

4 “(a) IN GENERAL.—In the case of an individual,
5 there shall be allowed as a credit against the tax imposed
6 by this subtitle an amount equal to 30 percent of the
7 amount paid during the taxable year for insurance which
8 constitutes medical care for the taxpayer, his spouse, and
9 dependents.

10 “(b) LIMITATIONS.—

11 “(1) LIMITATION BASED ON EMPLOYEE COM-
12 PENSATION.—The payments taken into account
13 under subsection (a) for any taxable year shall not
14 exceed the taxpayer’s wages, salaries, tips, and other
15 employee compensation includible in gross income
16 for such taxable year.

17 “(2) LIMITATION BASED ON OTHER COV-
18 ERAGE.—Subsection (a) shall not apply to—

19 “(A) any taxpayer for any calendar month
20 for which the taxpayer is eligible to participate
21 in any subsidized health plan maintained by
22 any employer of the taxpayer or of the spouse
23 of the taxpayer, or

24 “(B) amounts paid for coverage under—

1 “(i) part B of title XVIII of the Social
2 Security Act, or

3 “(ii) a Medicare supplemental policy
4 (within the meaning of section 1882(g)(1)
5 of the Social Security Act (42 U.S.C.
6 1395ss(g)(1))) or similar supplemental
7 coverage provided under a group health
8 plan.

9 “(c) LIMITATION BASED ON ADJUSTED GROSS IN-
10 COME.—

11 “(1) IN GENERAL.—No credit shall be allowed
12 under subsection (a) for any taxable year for which
13 the taxpayer’s adjusted gross income exceeds the ap-
14 plicable dollar amount by \$10,000 or more.

15 “(2) PHASEOUT.—If the taxpayer’s adjusted
16 gross income for the taxable year exceeds the appli-
17 cable dollar amount by less than \$10,000, the credit
18 which would (but for this subsection and subsection
19 (d)) be allowed under subsection (a) shall be reduced
20 (but not below zero) by an amount which bears the
21 same ratio to such credit as such excess bears to
22 \$10,000. Any reduction under the preceding sen-
23 tence which is not a multiple of \$10 shall be round-
24 ed to the next lowest \$10.

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

3 “(A) in the case of a taxpayer filing a joint
4 return, \$40,000,

5 “(B) in the case of any other taxpayer
6 (other than a married individual filing a sepa-
7 rate return), \$25,000, and

8 “(C) in the case of a married individual fil-
9 ing a separate return, zero.

10 “(4) SPECIAL RULE FOR MARRIED INDIVIDUALS
11 FILING SEPARATELY AND LIVING APART.—A hus-
12 band and wife who—

13 “(A) file separate returns for any taxable
14 year, and

15 “(B) live apart at all times during such
16 taxable year,

17 shall not be treated as married individuals for pur-
18 poses of this paragraph.

19 “(d) LIMITATION BASED ON AMOUNT OF TAX.—

20 “(1) IN GENERAL.—The credit allowed by sub-
21 section (a) for the taxable year (determined after the
22 application of subsections (b) and (c)) shall not ex-
23 ceed the sum of—

1 “(A) the tax imposed by this chapter for
2 the taxable year (reduced by the credits allow-
3 able against such tax other than the credits al-
4 lowable under this subpart), and

5 “(B) the taxpayer’s social security taxes
6 for such taxable year.

7 “(2) SOCIAL SECURITY TAXES.—For purposes
8 of paragraph (1)—

9 “(A) IN GENERAL.—The term ‘social secu-
10 rity taxes’ means, with respect to any taxpayer
11 for any taxable year—

12 “(i) the amount of the taxes imposed
13 by sections 3101, 3111, 3201(a), and
14 3221(a) on amounts received by the tax-
15 payer during the calendar year in which
16 the taxable year begins,

17 “(ii) the taxes imposed by section
18 1401 on the self-employment income of the
19 taxpayer for the taxable year, and

20 “(iii) the taxes imposed by section
21 3211(a)(1) on amounts received by the
22 taxpayer during the calendar year in which
23 the taxable year begins.

24 “(B) COORDINATION WITH SPECIAL RE-
25 FUND OF SOCIAL SECURITY TAXES.—The term

1 ‘social security taxes’ shall not include any
2 taxes to the extent the taxpayer is entitled to
3 a special refund of such taxes under section
4 6413(c).

5 “(C) SPECIAL RULE.—Any amounts paid
6 pursuant to an agreement under section 3121(l)
7 (relating to agreements entered into by Amer-
8 ican employers with respect to foreign affiliates)
9 which are equivalent to the taxes referred to in
10 subparagraph (A)(i) shall be treated as taxes
11 referred to in such subparagraph.

12 “(e) COORDINATION WITH OTHER PROVISIONS.—

13 “(1) DEDUCTION FOR MEDICAL EXPENSES.—
14 The amount taken into account in computing the
15 credit under subsection (a) shall not be taken into
16 account in computing the amount allowable to the
17 taxpayer as a deduction under section 213(a).

18 “(2) DEDUCTION FOR HEALTH INSURANCE
19 COSTS OF SELF-EMPLOYED INDIVIDUALS.—No
20 amount taken into account under section 162(l) may
21 be taken into account under this section.

22 “(f) EXPENSES MUST BE SUBSTANTIATED.—A pay-
23 ment for insurance to which subsection (a) applies may

1 be taken into account under this section only if the tax-
2 payer substantiates such payment in such form as the Sec-
3 retary may prescribe.

4 “(g) SECTION NOT TO APPLY TO LONG-TERM CARE
5 INSURANCE.—This section shall not apply to insurance
6 which constitutes medical care by reason of section
7 213(d)(1)(C).”

8 (b) CLERICAL AMENDMENT.—The table of sections
9 for subpart C of part IV of subchapter A of chapter 1
10 of such Code is amended by striking the last item and
11 inserting the following new items:

“Sec. 35. Health insurance costs of employees.
“Sec. 36. Overpayments of tax.”

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

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