

106TH CONGRESS
1ST SESSION

H. R. 2261

To amend the Internal Revenue Code of 1986 to provide incentives for health coverage.

IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1999

Mrs. JOHNSON of Connecticut (for herself and Mr. PETERSON of Pennsylvania) 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 provide incentives for health coverage.

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 “Health Insurance Af-
5 fordability and Equity Act of 1999”.

6 **SEC. 2. CREDIT FOR HEALTH INSURANCE COSTS OF PRE-**
7 **VIOUSLY UNINSURED INDIVIDUALS AND IN-**
8 **DIVIDUALS WITH COBRA COVERAGE.**

9 (a) IN GENERAL.—Subpart A of part IV of sub-
10 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to nonrefundable personal credits) is
 2 amended by inserting after section 25A the following new
 3 section:

4 **“SEC. 25B. HEALTH INSURANCE COSTS OF PREVIOUSLY UN-**
 5 **INSURED INDIVIDUALS AND INDIVIDUALS**
 6 **WITH COBRA COVERAGE.**

7 “(a) IN GENERAL.—In the case of an individual,
 8 there shall be allowed as a credit against the tax imposed
 9 by this chapter for the taxable year an amount equal to
 10 60 percent of the amount paid during the taxable year
 11 for coverage for the taxpayer, his spouse, and dependents
 12 under qualified health insurance.

13 “(b) DOLLAR LIMITATION.—

14 “(1) IN GENERAL.—The amount allowed as a
 15 credit under subsection (a) to the taxpayer for the
 16 taxable year shall not exceed the sum of the monthly
 17 limitations for eligible months during such taxable
 18 year.

19 “(2) MONTHLY LIMITATION.—The monthly lim-
 20 itation for any eligible month is the amount equal to
 21 $\frac{1}{12}$ of—

22 “(A) \$1,200 if, as of the first day of such
 23 month, the taxpayer has self-only coverage
 24 under qualified health insurance, and

1 “(B) \$2,400 if, as of the first day of such
2 month, the taxpayer has family coverage under
3 qualified health insurance.

4 “(3) ELIGIBLE MONTH.—For purposes of this
5 subsection—

6 “(A) IN GENERAL.—The term ‘eligible
7 month’ means any month which begins at least
8 1 year after the most recent month that the
9 individual—

10 “(i) was eligible to participate in any
11 group health plan of an employer which
12 provided qualified health insurance (deter-
13 mined without regard to subsection
14 (d)(2)), or

15 “(ii) participated in any group health
16 plan of any other entity which provided
17 such insurance.

18 “(B) JOINT RETURNS.—In the case of a
19 joint return, a month shall be treated as an eli-
20 gible month only if it is an eligible month of
21 each spouse, determined by applying this para-
22 graph separately to each spouse.

23 “(4) CERTAIN OTHER COVERAGE.—Amounts
24 paid for coverage of an individual for any month
25 shall not be taken into account under subsection (a)

1 if, as of the first day of such month, such individual
2 is covered under any medical care program described
3 in—

4 “(A) title XVIII, XIX, or XXI of the So-
5 cial Security Act,

6 “(B) chapter 55 of title 10, United States
7 Code,

8 “(C) chapter 17 of title 38, United States
9 Code,

10 “(D) chapter 89 of title 5, United States
11 Code, or

12 “(E) the Indian Health Care Improvement
13 Act.

14 “(5) SPECIAL RULE FOR MARRIED INDIVID-
15 UALS.—In the case of an individual—

16 “(A) who is married (within the meaning
17 of section 7703) as of the close of the taxable
18 year but does not file a joint return for such
19 year, and

20 “(B) who does not live apart from such in-
21 dividual’s spouse at all times during the taxable
22 year,

23 the limitation under paragraph (2)(A) (and not the
24 limitation under paragraph (2)(B)) shall apply to
25 such individual.

1 “(c) LIMITATION BASED ON ADJUSTED GROSS IN-
2 COME.—

3 “(1) IN GENERAL.—The aggregate amount
4 which would (but for this subsection) be allowed as
5 a credit under this section shall be reduced (but not
6 below zero) by the amount determined under para-
7 graph (2).

8 “(2) AMOUNT OF REDUCTION.—

9 “(A) IN GENERAL.—The amount deter-
10 mined under this paragraph shall be the
11 amount which bears the same ratio to such ag-
12 gregate amount as—

13 “(i) the excess of—

14 “(I) the taxpayer’s modified ad-
15 justed gross income for such taxable
16 year, over

17 “(II) the applicable dollar
18 amount, bears to

19 “(ii) \$10,000.

20 “(B) MODIFIED ADJUSTED GROSS IN-
21 COME.—For purposes of this paragraph, the
22 term ‘modified adjusted gross income’ means
23 adjusted gross income increased by any amount
24 excluded from gross income under section 911,
25 931, or 933.

1 “(C) ROUNDING.—Any amount determined
 2 under subparagraph (A) which is not a multiple
 3 of \$10 shall be rounded to the next lowest \$10.

4 “(3) APPLICABLE DOLLAR AMOUNT.—For pur-
 5 poses of paragraph (2), the term ‘applicable dollar
 6 amount’ means—

7 “(A) \$60,000 in the case of a taxpayer
 8 whose qualified health insurance coverage cov-
 9 ers more than 1 individual referred to in sub-
 10 section (a), and

11 “(B) \$30,000—

12 “(i) in any case not described in sub-
 13 paragraph (A), and

14 “(ii) in the case of a married indi-
 15 vidual filing a separate return.

16 For purposes of this paragraph, marital status shall
 17 be determined under section 7703.

18 “(d) QUALIFIED HEALTH INSURANCE.—For pur-
 19 poses of this section—

20 “(1) IN GENERAL.—Except as otherwise pro-
 21 vided in this paragraph, the term ‘qualified health
 22 insurance’ means insurance which constitutes med-
 23 ical care, as defined in section 213(d) without regard
 24 to—

25 “(A) paragraph (1)(C) thereof, and

1 “(B) so much of paragraph (1)(D) thereof
 2 as relates to qualified long-term care insurance
 3 contracts.

4 “(2) EXCLUSION OF COVERAGE PROVIDED
 5 UNDER GROUP HEALTH PLANS, ETC.—Such term
 6 shall not include insurance provided through any
 7 group health plan of an employer or any other enti-
 8 ty.

9 “(3) EXCLUSION OF CERTAIN OTHER CON-
 10 TRACTS.—Such term shall not include insurance if a
 11 substantial portion of its benefits are excepted bene-
 12 fits (as defined in section 9832(c)).

13 “(e) INDIVIDUALS WITH COBRA COVERAGE.—In
 14 the case of continuation coverage under a group health
 15 plan which is required to be provided by Federal law for
 16 an individual during the period specified in section
 17 4980B(f)(2)(B), notwithstanding subsection (d)—

18 “(1) such coverage shall be treated as qualified
 19 health insurance, and

20 “(2) the term ‘eligible month’ includes months
 21 of such coverage.

22 “(f) SPECIAL RULES.—

23 “(1) COORDINATION WITH OTHER DEDUC-
 24 TIONS.—No credit shall be allowed under this sec-
 25 tion for the taxable year if any amount paid for

1 qualified health insurance is taken into account in
2 determining the deduction allowed for such year
3 under section 213 or 222.

4 “(2) DENIAL OF CREDIT TO DEPENDENTS.—No
5 credit shall be allowed under this section to any indi-
6 vidual with respect to whom a deduction under sec-
7 tion 151 is allowable to another taxpayer for a tax-
8 able year beginning in the calendar year in which
9 such individual’s taxable year begins.

10 “(3) INFLATION ADJUSTMENT.—

11 “(A) IN GENERAL.—In the case of a tax-
12 able year beginning after 2000, each dollar
13 amount in subsection (c)(3) shall be increased
14 by an amount equal to—

15 “(i) such dollar amount, multiplied by

16 “(ii) the cost-of-living adjustment de-
17 termined under section 1(f)(3) for the cal-
18 endar year in which the taxable year be-
19 gins, determined by substituting ‘calendar
20 year 1999’ for ‘calendar year 1992’ in sub-
21 paragraph (B) thereof.

22 “(B) ROUNDING.—If any amount as ad-
23 justed under subparagraph (A) is not a multiple
24 of \$100, such amount shall be rounded to the
25 next lowest multiple of \$100.”

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for subpart A of part IV of subchapter A of chapter 1
 3 of such Code is amended by inserting after the item relat-
 4 ing to section 25A the following new item:

“Sec. 25B. Health insurance costs of previously uninsured indi-
 viduals and individuals with COBRA coverage.”

5 (c) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to taxable years beginning after
 7 December 31, 1999.

8 **SEC. 3. DEDUCTION FOR QUALIFIED HEALTH INSURANCE**
 9 **COSTS OF EMPLOYEES AND SELF-EMPLOYED**
 10 **INDIVIDUALS.**

11 (a) IN GENERAL.—Part VII of subchapter B of chap-
 12 ter 1 of the Internal Revenue Code of 1986 (relating to
 13 additional itemized deductions) is amended by redesign-
 14 nating section 222 as section 223 and by inserting after
 15 section 221 the following new section:

16 **“SEC. 222. COSTS OF QUALIFIED HEALTH INSURANCE.**

17 “(a) IN GENERAL.—In the case of an individual,
 18 there shall be allowed as a deduction an amount equal to
 19 the applicable percentage of the amount paid during the
 20 taxable year for coverage for the taxpayer, his spouse, and
 21 dependents under qualified health insurance.

22 “(b) APPLICABLE PERCENTAGE.—For purposes of
 23 subsection (a)—

1 “(1) IN GENERAL.—Except as provided in para-
 2 graph (2), the applicable percentage shall be deter-
 3 mined in accordance with the following table:

“For taxable years beginning in calendar year—	The applicable percentage is—
2000	60
2001	70
2002	80
2003	90
2004 and thereafter	100.

4 “(2) SPECIAL RULE.—In the case of an indi-
 5 vidual who is an employee within the meaning of
 6 section 401(c)(1) and whose qualified health insur-
 7 ance is not provided through a group health plan of
 8 an employer, paragraph (1) shall be applied by sub-
 9 stituting ‘100’ for ‘90’ but only with respect to the
 10 lesser of the taxpayer’s earned income (within the
 11 meaning of section 401(c)) or the payments referred
 12 to in subsection (a).

13 “(c) EXCLUSION OF SUBSIDIZED COVERAGE.—Sub-
 14 section (a) shall not apply to any taxpayer for any cal-
 15 endar month for which the taxpayer participates in any
 16 group health plan of an employer or any other entity if
 17 less than 50 percent of the cost of the taxpayer’s coverage
 18 under such plan is borne by the taxpayer. A rule similar
 19 to the rule of the last sentence of section 162(l)(2)(B)
 20 shall apply for purposes of this subsection.

21 “(d) QUALIFIED HEALTH INSURANCE.—For pur-
 22 poses of this section—

1 “(1) IN GENERAL.—The term ‘qualified health
2 insurance’ has the meaning given such term by sec-
3 tion 25B(d) determined without regard to paragraph
4 (2) thereof.

5 “(2) SPECIAL RULE.—

6 “(A) IN GENERAL.—In the case of an indi-
7 vidual who is an employee within the meaning
8 of section 401(c)(1) and whose qualified health
9 insurance (without regard to this paragraph) is
10 not provided through a group health plan of an
11 employer, paragraph (3) of section 25B(d) shall
12 not apply for purposes of this section.

13 “(B) LIMITATION.—The amount taken
14 into account under subsection (a) by reason of
15 subparagraph (A) shall not exceed the excess
16 of—

17 “(i) the taxpayer’s earned income
18 (within the meaning of section 401(c)),
19 over

20 “(ii) the amount which would (without
21 regard to this paragraph) be taken into ac-
22 count under subsection (a).

23 “(e) SPECIAL RULES.—

24 “(1) COORDINATION WITH MEDICAL DEDUC-
25 TION, ETC.—Any amount paid by a taxpayer for in-

1 surance to which subsection (a) applies shall not be
2 taken into account in computing the amount allow-
3 able to the taxpayer as a deduction under section
4 213(a).

5 “(2) DEDUCTION NOT ALLOWED FOR SELF-EM-
6 PLOYMENT TAX PURPOSES.—The deduction allow-
7 able by reason of this section shall not be taken into
8 account in determining an individual’s net earnings
9 from self-employment (within the meaning of section
10 1402(a)) for purposes of chapter 2.”

11 (b) CONFORMING AMENDMENTS.—

12 (1)(A) Paragraph (1) of section 162(l) of such
13 Code is amended by striking “the amount paid” and
14 all that follows and inserting “the eligible long-term
15 care premiums (as defined in section 213(d)(10))
16 paid during the taxable year for any qualified long-
17 term care insurance contract (as defined in section
18 7702B(b)) covering the taxpayer, his spouse, and
19 dependents.”

20 (B) Paragraph (2) of section 162(l) of such
21 Code is amended by striking subparagraph (C).

22 (2) Subsection (a) of section 62 of such Code
23 is amended by inserting after paragraph (17) the
24 following new item:

1 “(18) COSTS OF QUALIFIED HEALTH INSUR-
2 ANCE.—The deduction allowed by section 222.”

3 (3) The table of sections for part VII of sub-
4 chapter B of chapter 1 of such Code is amended by
5 striking the last item and inserting the following
6 new items:

 “Sec. 222. Costs of qualified health insurance.

 “Sec. 223. Cross reference.”

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to taxable years beginning after
9 December 31, 1999.

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