

106TH CONGRESS
1ST SESSION

H. R. 2362

To amend the Internal Revenue Code of 1986 to allow individuals a refundable credit against income tax for the purchase of private health insurance, and to provide for a report on State health insurance safety-net programs.

IN THE HOUSE OF REPRESENTATIVES

JUNE 25, 1999

Mr. ARMEY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on 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

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals a refundable credit against income tax for the purchase of private health insurance, and to provide for a report on State health insurance safety-net programs.

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 “Fair Care for the Un-
5 insured Act of 1999”.

1 **TITLE I—REFUNDABLE CREDIT**
2 **FOR HEALTH INSURANCE**
3 **COVERAGE**

4 **SEC. 101. REFUNDABLE CREDIT FOR HEALTH INSURANCE**
5 **COVERAGE.**

6 (a) IN GENERAL.—Subpart C of part IV of sub-
7 chapter A of chapter 1 of the Internal Revenue Code of
8 1986 (relating to refundable credits) is amended by redes-
9 ignating section 35 as section 36 and by inserting after
10 section 34 the following new section:

11 **“SEC. 35. HEALTH INSURANCE COSTS.**

12 “(a) IN GENERAL.—In the case of an individual,
13 there shall be allowed as a credit against the tax imposed
14 by this subtitle an amount equal to the amount paid dur-
15 ing the taxable year for qualified health insurance for the
16 taxpayer, his spouse, and dependents.

17 “(b) LIMITATIONS.—

18 “(1) IN GENERAL.—The amount allowed as a
19 credit under subsection (a) to the taxpayer for the
20 taxable year shall not exceed the sum of the monthly
21 limitations for coverage months during such taxable
22 year for each individual referred to in subsection (a)
23 for whom the taxpayer paid during the taxable year
24 any amount for coverage under qualified health in-
25 surance.

1 “(2) MONTHLY LIMITATION.—

2 “(A) IN GENERAL.—The monthly limita-
3 tion for an individual for each coverage month
4 of such individual during the taxable year is the
5 amount equal to 1/12 of—

6 “(i) \$1,000 if such individual is the
7 taxpayer,

8 “(ii) \$1,000 if—

9 “(I) such individual is the spouse
10 of the taxpayer,

11 “(II) the taxpayer and such
12 spouse are married as of the first day
13 of such month, and

14 “(III) the taxpayer files a joint
15 return for the taxable year, and

16 “(iii) \$500 if such individual is an in-
17 dividual for whom a deduction under sec-
18 tion 151(c) is allowable to the taxpayer for
19 such taxable year.

20 “(B) LIMITATION TO 2 DEPENDENTS.—
21 Not more than 2 individuals may be taken into
22 account by the taxpayer under subparagraph
23 (A)(iii).

24 “(C) SPECIAL RULE FOR MARRIED INDIVIDUALS.—In the case of an individual—
25

1 “(i) who is married (within the mean-
2 ing of section 7703) as of the close of the
3 taxable year but does not file a joint return
4 for such year, and

5 “(ii) who does not live apart from
6 such individual’s spouse at all times during
7 the taxable year,
8 the limitation imposed by subparagraph (B)
9 shall be divided equally between the individual
10 and the individual’s spouse unless they agree on
11 a different division.

12 “(3) COVERAGE MONTH.—For purposes of this
13 subsection—

14 “(A) IN GENERAL.—The term ‘coverage
15 month’ means, with respect to an individual,
16 any month if—

17 “(i) as of the first day of such month
18 such individual is covered by qualified
19 health insurance, and

20 “(ii) the premium for coverage under
21 such insurance for such month is paid by
22 the taxpayer.

23 “(B) EMPLOYER-SUBSIDIZED COV-
24 ERAGE.—Such term shall not include any
25 month for which such individual participates in

1 any subsidized health plan (within the meaning
2 of section 162(l)(2)) maintained by any em-
3 ployer of the taxpayer or of the spouse of the
4 taxpayer.

5 “(C) CAFETERIA PLAN AND FLEXIBLE
6 SPENDING ACCOUNT BENEFICIARIES.—Such
7 term shall not include any month during a tax-
8 able year if any amount is not includible in the
9 gross income of the taxpayer for such year
10 under section 106 with respect to—

11 “(i) a benefit chosen under a cafeteria
12 plan (as defined in section 125(d)), or

13 “(ii) a benefit provided under a flexi-
14 ble spending or similar arrangement.

15 “(D) MEDICARE AND MEDICAID.—Such
16 term shall not include any month with respect
17 to an individual if, as of the first day of such
18 month, such individual—

19 “(i) is entitled to any benefits under
20 title XVIII of the Social Security Act, or

21 “(ii) is a participant in the program
22 under title XIX of such Act.

23 “(E) CERTAIN OTHER COVERAGE.—Such
24 term shall not include any month during a tax-
25 able year with respect to an individual if, at any

1 time during such year, any benefit is provided
2 to such individual under—

3 “(i) chapter 17 of title 38, United
4 States Code, or

5 “(ii) any medical care program under
6 the Indian Health Care Improvement Act.

7 “(F) PRISONERS.—Such term shall not in-
8 clude any month with respect to an individual
9 if, as of the first day of such month, such indi-
10 vidual is imprisoned under Federal, State, or
11 local authority.

12 “(G) INSUFFICIENT PRESENCE IN UNITED
13 STATES.—Such term shall not include any
14 month during a taxable year with respect to an
15 individual if such individual is present in the
16 United States on fewer than 183 days during
17 such year (determined in accordance with sec-
18 tion 7701(b)(7)).

19 “(4) COORDINATION WITH DEDUCTION FOR
20 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-
21 DIVIDUALS.—In the case of a taxpayer who is eligi-
22 ble to deduct any amount under section 162(l) for
23 the taxable year, this section shall apply only if the
24 taxpayer elects not to claim any amount as a deduc-
25 tion under such section for such year.

1 “(c) QUALIFIED HEALTH INSURANCE.—For pur-
2 poses of this section—

3 “(1) IN GENERAL.—The term ‘qualified health
4 insurance’ means insurance which constitutes med-
5 ical care as defined in section 213(d) without regard
6 to—

7 “(A) paragraph (1)(C) thereof, and

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

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

15 “(d) MEDICAL SAVINGS ACCOUNT CONTRIBU-
16 TIONS.—

17 “(1) IN GENERAL.—If a deduction would (but
18 for paragraph (2)) be allowed under section 220 to
19 the taxpayer for a payment for the taxable year to
20 the medical savings account of an individual, sub-
21 section (a) shall be applied by treating such payment
22 as a payment for qualified health insurance for such
23 individual.

24 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-
25 tion shall be allowed under section 220 for that por-

tion of the payments otherwise allowable as a deduction under section 220 for the taxable year which is equal to the amount of credit allowed for such taxable year by reason of this subsection.

“(e) SPECIAL RULES.—

“(1) COORDINATION WITH MEDICAL EXPENSE DEDUCTION.—The amount which would (but for this paragraph) be taken into account by the taxpayer under section 213 for the taxable year shall be reduced by the credit (if any) allowed by this section to the taxpayer for such year.

“(2) DENIAL OF CREDIT TO DEPENDENTS.—No credit shall be allowed under this section to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins.

“(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2000, each dollar amount contained in subsection (b)(2)(A) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar

1 year in which the taxable year begins, deter-
 2 mined by substituting ‘calendar year 1999’ for
 3 ‘calendar year 1992’ in subparagraph (B)
 4 thereof.

5 Any increase determined under the preceding sen-
 6 tence shall be rounded to the nearest multiple of \$50
 7 (\$25 in the case of the dollar amount in subsection
 8 (b)(2)(A)(iii)).”

9 (b) INFORMATION REPORTING.—

10 (1) IN GENERAL.—Subpart B of part III of
 11 subchapter A of chapter 61 of such Code (relating
 12 to information concerning transactions with other
 13 persons) is amended by inserting after section
 14 6050S the following new section:

15 **“SEC. 6050T. RETURNS RELATING TO PAYMENTS FOR**
 16 **QUALIFIED HEALTH INSURANCE.**

17 “(a) IN GENERAL.—Any person who, in connection
 18 with a trade or business conducted by such person, re-
 19 ceives payments during any calendar year from any indi-
 20 vidual for coverage of such individual or any other indi-
 21 vidual under creditable health insurance, shall make the
 22 return described in subsection (b) (at such time as the
 23 Secretary may by regulations prescribe) with respect to
 24 each individual from whom such payments were received.

1 “(b) FORM AND MANNER OF RETURNS.—A return
2 is described in this subsection if such return—

3 “(1) is in such form as the Secretary may pre-
4 scribe, and

5 “(2) contains—

6 “(A) the name, address, and TIN of the
7 individual from whom payments described in
8 subsection (a) were received,

9 “(B) the name, address, and TIN of each
10 individual who was provided by such person
11 with coverage under creditable health insurance
12 by reason of such payments and the period of
13 such coverage, and

14 “(C) such other information as the Sec-
15 retary may reasonably prescribe.

16 “(c) CREDITABLE HEALTH INSURANCE.—For pur-
17 poses of this section, the term ‘creditable health insurance’
18 means qualified health insurance (as defined in section
19 35(c)) other than—

20 “(1) insurance under a subsidized group health
21 plan maintained by an employer, or

22 “(2) to the extent provided in regulations pre-
23 scribed by the Secretary, any other insurance cov-
24 ering an individual if no credit is allowable under
25 section 35 with respect to such coverage.

1 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
2 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
3 QUIRED.—Every person required to make a return under
4 subsection (a) shall furnish to each individual whose name
5 is required under subsection (b)(2)(A) to be set forth in
6 such return a written statement showing—

7 “(1) the name and address of the person re-
8 quired to make such return and the phone number
9 of the information contact for such person,

10 “(2) the aggregate amount of payments de-
11 scribed in subsection (a) received by the person re-
12 quired to make such return from the individual to
13 whom the statement is required to be furnished, and

14 “(3) the information required under subsection
15 (b)(2)(B) with respect to such payments.

16 The written statement required under the preceding sen-
17 tence shall be furnished on or before January 31 of the
18 year following the calendar year for which the return
19 under subsection (a) is required to be made.

20 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
21 MADE BY 2 OR MORE PERSONS.—Except to the extent
22 provided in regulations prescribed by the Secretary, in the
23 case of any amount received by any person on behalf of
24 another person, only the person first receiving such

1 amount shall be required to make the return under sub-
 2 section (a).”.

3 (2) ASSESSABLE PENALTIES.—

4 (A) Subparagraph (B) of section
 5 6724(d)(1) of such Code (relating to defini-
 6 tions) is amended by redesignating clauses (xi)
 7 through (xvii) as clauses (xii) through (xviii),
 8 respectively, and by inserting after clause (x)
 9 the following new clause:

10 “(xi) section 6050T (relating to re-
 11 turns relating to payments for qualified
 12 health insurance),”.

13 (B) Paragraph (2) of section 6724(d) of
 14 such Code is amended by striking “or” at the
 15 end of the next to last subparagraph, by strik-
 16 ing the period at the end of the last subpara-
 17 graph and inserting “, or”, and by adding at
 18 the end the following new subparagraph:

19 “(BB) section 6050T(d) (relating to re-
 20 turns relating to payments for qualified health
 21 insurance).”.

22 (3) CLERICAL AMENDMENT.—The table of sec-
 23 tions for subpart B of part III of subchapter A of
 24 chapter 61 of such Code is amended by inserting

1 after the item relating to section 6050S the fol-
 2 lowing new item:

“Sec. 6050T. Returns relating to payments for qualified health insurance.”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Paragraph (2) of section 1324(b) of title
 5 31, United States Code, is amended by inserting be-
 6 fore the period “, or from section 35 of such Code”.

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

“Sec. 35. Health insurance costs.

“Sec. 36. Overpayments of tax.”.

11 (d) EFFECTIVE DATE.—The amendments made by
 12 this section shall apply to taxable years beginning after
 13 December 31, 1999.

14 **SEC. 102. ADVANCE PAYMENT OF CREDIT FOR PUR-**
 15 **CHASERS OF QUALIFIED HEALTH INSUR-**
 16 **ANCE.**

17 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
 18 enue Code of 1986 (relating to miscellaneous provisions)
 19 is amended by adding at the end the following new section:

1 **“SEC. 7527. ADVANCE PAYMENT OF HEALTH INSURANCE**
2 **CREDIT FOR PURCHASERS OF QUALIFIED**
3 **HEALTH INSURANCE.**

4 “(a) GENERAL RULE.—In the case of an eligible indi-
5 vidual, the Secretary shall make payments to the provider
6 of such individual’s qualified health insurance equal to
7 such individual’s qualified health insurance credit advance
8 amount with respect to such provider.

9 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
10 section, the term ‘eligible individual’ means any
11 individual—

12 “(1) who purchases qualified health insurance
13 (as defined in section 35(c)), and

14 “(2) for whom a qualified health insurance
15 credit eligibility certificate is in effect.

16 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-
17 BILITY CERTIFICATE.—For purposes of this section, a
18 qualified health insurance credit eligibility certificate is a
19 statement furnished by an individual to the Secretary
20 which—

21 “(1) certifies that the individual will be eligible
22 to receive the credit provided by section 35 for the
23 taxable year,

24 “(2) estimates the amount of such credit for
25 such taxable year, and

1 “(3) provides such other information as the
2 Secretary may require for purposes of this section.

3 “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-
4 VANCE AMOUNT.—For purposes of this section, the term
5 ‘qualified health insurance credit advance amount’ means,
6 with respect to any provider of qualified health insurance,
7 the Secretary’s estimate of the amount of credit allowable
8 under section 35 to the individual for the taxable year
9 which is attributable to the insurance provided to the indi-
10 vidual by such provider.

11 “(e) REGULATIONS.—The Secretary shall prescribe
12 such regulations as may be necessary to carry out the pur-
13 poses of this section.”.

14 (b) CLERICAL AMENDMENT.—The table of sections
15 for chapter 77 of such Code is amended by adding at the
16 end the following new item:

“Sec. 7527. Advance payment of health insurance credit for pur-
chasers of qualified health insurance.”.

17 (c) EFFECTIVE DATE.—The amendments made by
18 this section shall take effect on January 1, 2000.

1 **TITLE II—STUDY OF SAFETY-NET**
2 **HEALTH INSURANCE PRO-**
3 **GRAMS FOR THE MEDICALLY**
4 **UNINSURABLE**

5 **SEC. 201. STUDY OF STATE SAFETY-NET HEALTH INSUR-**
6 **ANCE PROGRAMS FOR THE MEDICALLY UNIN-**
7 **SURABLE.**

8 (a) STUDY.—

9 (1) IN GENERAL.—The Secretary of Health and
10 Human Services shall provide for a study on the
11 current state of all existing State safety-net health
12 insurance programs (as defined in subsection (c)).
13 The study shall determine which forms of such pro-
14 grams are the most successful in making health in-
15 surance available to all willing payers regardless of
16 their health status.

17 (2) CONSULTATION.—In conducting the study
18 the Secretary shall consult with representatives of
19 the National Governors Association, the National
20 Association of Insurance Commissioners, national
21 associations representing health insurers, insurance
22 companies that administer and participate in State
23 safety-net health insurance programs, and individ-
24 uals who receive their health insurance through such
25 programs.

1 (b) REPORT.—The Secretary shall submit to Con-
2 gress, by not later than October 1, 2000, a detailed report
3 on the study conducted under subsection (a). The report
4 shall include recommendations on how Congress can best
5 strengthen State safety-net health insurance programs
6 where they currently exist and can encourage their estab-
7 lishment in States where they do not exist.

8 (c) STATE SAFETY-NET HEALTH INSURANCE PRO-
9 GRAM DEFINED.—For purposes of this section, the term
10 “State safety-net health insurance program” means a high
11 risk pool or similar arrangement provided under State law
12 for providing access of medically uninsurable individuals
13 to health insurance coverage. Such term may include such
14 other arrangements as the Secretary finds appropriate for
15 assuring the provision of health insurance coverage to
16 such individuals.

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