

107TH CONGRESS  
1ST SESSION

# H. R. 383

To amend the Internal Revenue Code of 1986 to allow a deduction for amounts paid for health insurance and prescription drug costs of individuals.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2001

Mr. STEARNS (for himself and Mr. SCHAFER) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for amounts paid for health insurance and prescription drug costs of individuals.

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. DEDUCTION FOR HEALTH INSURANCE AND**  
4 **PRESCRIPTION DRUG COSTS OF INDIVID-**  
5 **UALS.**

6 (a) IN GENERAL.—Part VII of subchapter B of chap-  
7 ter 1 of the Internal Revenue Code of 1986 is amended  
8 by redesignating section 222 as section 223 and by insert-  
9 ing after section 221 the following new section:

1 **“SEC. 222. HEALTH INSURANCE AND PRESCRIPTION DRUG**  
2 **COSTS.**

3 “(a) IN GENERAL.—In the case of an individual,  
4 there shall be allowed as a deduction an amount equal to  
5 the sum of the amount paid during the taxable year for—

6 “(1) insurance which constitutes medical care  
7 for the taxpayer and the taxpayer’s spouse and de-  
8 pendents, plus

9 “(2) unreimbursed prescription drug expenses  
10 paid by the taxpayer for the taxpayer and the tax-  
11 payer’s spouse and dependents.

12 “(b) LIMITATIONS AND SPECIAL RULES.—

13 “(1) EMPLOYER CONTRIBUTIONS TO CAFETERIA PLANS, FLEXIBLE SPENDING ARRANGEMENTS,  
14 AND MEDICAL SAVINGS ACCOUNTS.—Employer con-  
15 tributions to a cafeteria plan, a flexible spending or  
16 similar arrangement, or a medical savings account  
17 which are excluded from gross income under section  
18 106 shall be treated for purposes of subsection (a)  
19 as paid by the employer.

21 “(2) DEDUCTION NOT AVAILABLE FOR PAY-  
22 MENT OF ANCILLARY COVERAGE PREMIUMS.—Any  
23 amount paid as a premium for insurance which pro-  
24 vides for—

25 “(A) coverage for accidents, disability, den-  
26 tal care, vision care, or a specified illness, or

1           “(B) making payments of a fixed amount  
 2           per day (or other period) by reason of being  
 3           hospitalized,  
 4           shall not be taken into account under subsection (a).

5           “(3) COORDINATION WITH DEDUCTION FOR  
 6           HEALTH INSURANCE AND PRESCRIPTION DRUG  
 7           COSTS OF SELF-EMPLOYED INDIVIDUALS.—The  
 8           amount taken into account by the taxpayer in com-  
 9           puting the deduction under section 162(l) shall not  
 10          be taken into account under this section.

11          “(4) COORDINATION WITH MEDICAL EXPENSE  
 12          DEDUCTION.—The amount taken into account by  
 13          the taxpayer in computing the deduction under this  
 14          section shall not be taken into account under section  
 15          213.

16          “(c) DEFINITIONS.—For purposes of this section—

17           “(1) MEDICAL CARE.—

18           “(A) IN GENERAL.—The term ‘medical  
 19           care’ has the meaning given such term by sec-  
 20           tion 213(d) without regard to—

21           “(i) paragraph (1)(C) thereof, and

22           “(ii) so much of paragraph (1)(D)  
 23           thereof as relates to qualified long-term  
 24           care insurance contracts.

1                   “(B) EXCLUSION OF CERTAIN OTHER CON-  
 2                   TRACTS.—The term ‘medical care’ shall not in-  
 3                   clude insurance if a substantial portion of its  
 4                   benefits are excepted benefits (as defined in sec-  
 5                   tion 9832(c)).

6                   “(2) UNREIMBURSED PRESCRIPTION DRUG EX-  
 7                   PENSES.—The term ‘unreimbursed prescription drug  
 8                   expenses’ means amounts paid or incurred for a pre-  
 9                   scribed drug (as defined by section 213(d)(3)) the  
 10                  cost of which to the taxpayer is not reimbursed by  
 11                  insurance or otherwise.

12                  “(d) REGULATIONS.—The Secretary shall prescribe  
 13                  such regulations as may be appropriate to carry out this  
 14                  section.”.

15                  (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-  
 16                  PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)  
 17                  of section 62 of such Code is amended by inserting after  
 18                  paragraph (17) the following new item:

19                         “(18) HEALTH INSURANCE AND PRESCRIPTION  
 20                         DRUG COSTS.—The deduction allowed by section  
 21                         222.”.

22                  (c) CLERICAL AMENDMENTS.—The table of sections  
 23                  for part VII of subchapter B of chapter 1 of such Code  
 24                  is amended by striking the last item and inserting the fol-  
 25                  lowing new items:

“Sec. 222. Health insurance and prescription drug costs.

“Sec. 223. Cross reference.”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2002.

4 **SEC. 2. DEDUCTION FOR 100 PERCENT OF HEALTH INSUR-**  
5 **ANCE AND PRESCRIPTION DRUG COSTS OF**  
6 **SELF-EMPLOYED INDIVIDUALS.**

7 (a) IN GENERAL.—Paragraph (1) of section 162(l)  
8 of the Internal Revenue Code of 1986 (relating to general  
9 rule for allowance of deduction for health insurance costs  
10 of self-employed individuals) is amended to read as fol-  
11 lows:

12 “(1) ALLOWANCE OF DEDUCTION.—In the case  
13 of an individual who is an employee within the  
14 meaning of section 401(c)(1), there shall be allowed  
15 as a deduction under this section an amount equal  
16 to the sum of—

17 “(A) 100 percent of the amount paid dur-  
18 ing the taxable year for insurance which con-  
19 stitutes medical care for the taxpayer and the  
20 taxpayer’s spouse and dependents, plus

21 “(B) unreimbursed prescription drug ex-  
22 penses (within the meaning of section  
23 222(c)(2)) paid during the taxable year by the

1 taxpayer for the taxpayer and the taxpayer's  
2 spouse and dependents.”.

3 (b) CLARIFICATION OF LIMITATIONS ON OTHER COV-  
4 ERAGE.—The first sentence of section 162(l)(2)(B) of  
5 such Code is amended to read as follows: “Paragraph (1)  
6 shall not apply to any taxpayer for any calendar month  
7 for which the taxpayer participates in any subsidized  
8 health plan maintained by any employer (other than an  
9 employer described in section 401(c)(4)) of the taxpayer  
10 or the spouse of the taxpayer.”.

11 (c) CLERICAL AMENDMENT.—The heading for sec-  
12 tion 162(l) of such Code is amended by inserting “AND  
13 PRESCRIPTION DRUG” after “INSURANCE”.

14 (d) EFFECTIVE DATE.—The amendments made by  
15 this section shall apply to taxable years beginning after  
16 December 31, 2002.

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