

107TH CONGRESS
2D SESSION

H. R. 5174

To amend the Internal Revenue Code of 1986 to provide incentives to small businesses to provide health insurance to their employees.

IN THE HOUSE OF REPRESENTATIVES

JULY 22, 2002

Ms. DUNN of Washington (for herself, Mr. NEAL of Massachusetts, and Mrs. THURMAN) 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 to small businesses to provide health insurance to their employees.

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 “Small Business Health
5 Insurance Affordability Act of 2002”.

1 **SEC. 2. REFUNDABLE CREDIT FOR SMALL BUSINESSES**
 2 **PROVIDING HEALTH INSURANCE COVERAGE**
 3 **FOR EMPLOYEES.**

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

9 **“SEC. 35. SMALL BUSINESS COST OF PROVIDING HEALTH**
 10 **INSURANCE COVERAGE FOR EMPLOYEES.**

11 “(a) IN GENERAL.—At the election of the employer,
 12 there shall be allowed as a credit against the tax imposed
 13 by this chapter for the taxable year an amount equal to
 14 the applicable percentage of the qualified premiums paid
 15 during the taxable year by the taxpayer.

16 “(b) APPLICABLE PERCENTAGE.—For purposes of
 17 subsection (a), the applicable percentage shall be deter-
 18 mined in accordance with the following table:

“Total number of employees of taxpayer:	The applicable percentage is:
10 or fewer	50 percent.
11 to 15	25 percent.
16 or more	0 percent.

19 “(c) LIMITATIONS.—

20 “(1) MAXIMUM EMPLOYEE COMPENSATION.—

21 No amount paid for a qualified premium shall be
 22 taken into account under subsection (a) if such
 23 amount is paid or incurred with respect to any em-

1 ployee to whom the taxpayer paid wages of \$40,000
2 or more for the calendar year ending with or in the
3 taxable year of the taxpayer.

4 “(2) MINIMUM EMPLOYEE SERVICE.—No
5 amount paid for a qualified premium shall be taken
6 into account under subsection (a) if such amount is
7 paid or incurred with respect to any employee unless
8 such employee has performed at least 400 hours of
9 service for the employer during the taxable year of
10 the employer.

11 “(3) INFLATION ADJUSTMENT.—In the case of
12 a calendar year after 2003, the dollar amount con-
13 tained in paragraph (1) shall be increased by an
14 amount equal to—

15 “(A) such dollar amount, multiplied by

16 “(B) the cost-of-living adjustment deter-
17 mined under section 1(f)(3) for such calendar
18 year by substituting ‘calendar year 2002’ for
19 ‘calendar year 1992’ in subparagraph (B)
20 thereof.

21 Any increase under this paragraph which is not a
22 multiple of \$100 shall be rounded to the next lowest
23 multiple of \$100.

24 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
25 poses of this section—

1 “(1) QUALIFIED PREMIUMS.—The term ‘quali-
2 fied premiums’ means premiums paid by the tax-
3 payer for qualified health insurance for any em-
4 ployee of the taxpayer, and the employee’s spouse
5 and dependents, but only if the employer pays not
6 less than 75 percent of the aggregate premiums for
7 such insurance for the taxable year. For purposes of
8 the preceding sentence, the term ‘premium’ shall
9 have the same meaning as when used in section
10 4980B(f)(4).

11 “(2) QUALIFIED HEALTH INSURANCE.—The
12 term ‘qualified health insurance’ means insurance
13 which constitutes medical care (as defined in section
14 213(d)); except that such term shall not include any
15 insurance if substantially all of its coverage is of ex-
16 cepted benefits described in section 9832(c).

17 “(3) WAGES.—The term ‘wages’ shall have the
18 meaning given to such term by subsection (b) of sec-
19 tion 3306 (determined without regard to any dollar
20 limitation contained in such section).

21 “(4) AGGREGATION RULE.—For purposes of
22 this section, all persons treated as a single employer
23 under subsection (a) or (b) of section 52 or sub-
24 section (n) or (o) of section 414 shall be treated as
25 one person.

1 “(e) TERMINATION.—This section shall not apply to
2 taxable years beginning after December 31, 2007.”.

3 (b) TECHNICAL AMENDMENTS.—

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

8 (2) The table of sections for subpart C of part
9 IV of subchapter A of chapter 1 of the Internal Rev-
10 enue Code of 1986 is amended by striking the item
11 relating to section 35 and inserting the following
12 new items:

“Sec. 35. Small business cost of providing health insurance cov-
erage for employees.

“Sec. 36. Overpayment of taxes.”.

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

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