

108TH CONGRESS  
1ST SESSION

# H. R. 1236

To amend the Internal Revenue Code of 1986 to allow individuals a refundable credit against income tax for the purchase of private health insurance.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2003

Ms. GRANGER (for herself, Mr. WYNN, Mrs. JOHNSON of Connecticut, Mr. NORWOOD, Ms. WATSON, Mr. MANZULLO, Mr. DAVIS of Illinois, Mr. BONILLA, Mr. GOODE, Mr. BOOZMAN, Mr. TOWNS, Ms. NORTON, Mr. MARIO DIAZ-BALART of Florida, Mrs. MUSGRAVE, Mrs. NORTHUP, Mr. HOSTETTLER, Mr. RYAN of Wisconsin, Ms. GINNY BROWN-WAITE of Florida, Mr. DAVIS of Alabama, Ms. MILLENDER-MCDONALD, Mr. OWENS, and Mr. FLETCHER) 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 individuals a refundable credit against income tax for the purchase of private health insurance.

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 “Securing Access,  
5       Value, and Equality in Health Care Act”.

1 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH INSURANCE**2 **COVERAGE.**

3 (a) IN GENERAL.—Subpart C of part IV of sub-  
4 chapter A of chapter 1 of the Internal Revenue Code of  
5 1986 (relating to refundable credits) is amended by redes-  
6 ignating section 36 as section 37 and by inserting after  
7 section 35 the following new section:

8 **“SEC. 36. HEALTH INSURANCE COSTS.**

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

## 14 “(b) LIMITATIONS.—

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

## 23 “(2) PHASEOUT OF AMOUNT.—

24 “(A) REDUCTION BASED ON ADJUSTED  
25 GROSS INCOME.—The amount determined under  
26 paragraph (1) for any taxable year shall be re-

1                   duced (but not below zero) by the amount de-  
2                   termined under subparagraph (B).

3                   “(B) AMOUNT OF REDUCTION.—The  
4                   amount determined under this subparagraph  
5                   with respect to any amount determined under  
6                   paragraph (1) shall be the amount which bears  
7                   the same ratio to such amount determined  
8                   under paragraph (1) as—

9                   “(i) the excess of—

10                   “(I) the taxpayer’s adjusted  
11                   gross income for such taxable year,  
12                   over

13                   “(II) the applicable dollar  
14                   amount, bears to

15                   “(ii) \$15,000 (\$10,000 in the case of  
16                   a joint return or a married individual filing  
17                   a separate return).

18                   The rules of subparagraphs (B) and (C) of sec-  
19                   tion 219(g)(2) shall apply to any reduction  
20                   under this subparagraph.

21                   “(C) DEFINITIONS.—For purposes of this  
22                   paragraph—

23                   “(i) adjusted gross income shall be de-  
24                   termined in the same manner as under sec-  
25                   tion 408A(c)(3)(C)(i), and

1                         “(ii) the applicable dollar amount is—  
2                             “(I) in the case of a taxpayer fil-  
3                             ing a joint return, \$105,000,  
4                             “(II) in the case of any other  
5                             taxpayer (other than a married indi-  
6                             vidual filing a separate return),  
7                             \$65,000, and  
8                             “(III) in the case of a married  
9                             individual filing a separate return,  
10                             zero.

11                         “(3) MONTHLY LIMITATION.—

12                         “(A) IN GENERAL.—The monthly limita-  
13                         tion for an individual for each coverage month  
14                         of such individual during the taxable year is the  
15                         amount equal to  $\frac{1}{12}$ th of—

16                         “(i) the base amount, plus  
17                         “(ii) 50 percent of the amount paid in  
18                         excess of the base amount.

19                         “(B) BASE AMOUNT.—For purposes of this  
20                         paragraph, the base amount is—

21                         “(i) \$1,000 if such individual is the  
22                         taxpayer,

23                         “(ii) \$1,000 if—  
24                             “(I) such individual is the spouse  
25                             of the taxpayer,

1                             “(II) the taxpayer and such  
2                             spouse are married as of the first day  
3                             of such month, and

4                             “(III) the taxpayer files a joint  
5                             return for the taxable year, and

6                             “(iii) \$500 if such individual is an in-  
7                             dividual for whom a deduction under sec-  
8                             tion 151(c) is allowable to the taxpayer for  
9                             such taxable year.

10                             “(C) LIMITATION TO 2 DEPENDENTS.—  
11                             Not more than 2 individuals may be taken into  
12                             account by the taxpayer under subparagraph  
13                             (B)(iii).

14                             “(D) SPECIAL RULE FOR MARRIED INDI-  
15                             VIDUALS.—In the case of an individual—

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

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

23                             the limitation imposed by subparagraph (C)  
24                             shall be divided equally between the individual

1 and the individual's spouse unless they agree on  
2 a different division.

3 "(4) COVERAGE MONTH.—For purposes of this  
4 subsection—

5 "(A) IN GENERAL.—The term 'coverage  
6 month' means, with respect to an individual,  
7 any month if—

8 " "(i) as of the first day of such month  
9 such individual is covered by qualified  
10 health insurance, and

11 " "(ii) the premium for coverage under  
12 such insurance for such month is paid by  
13 the taxpayer.

14 "(B) EMPLOYER-SUBSIDIZED COV-  
15 ERAGE.—

16 " "(i) IN GENERAL.—Such term shall  
17 not include any month for which such indi-  
18 vidual participates in any subsidized health  
19 plan (within the meaning of section  
20 162(l)(2)) maintained by any employer of  
21 the taxpayer or of the spouse of the tax-  
22 payer.

23 " "(ii) PREMIUMS TO NONSUBSIDIZED  
24 PLANS.—If an employer of the taxpayer or  
25 the spouse of the taxpayer maintains a

1                   health plan which is not a subsidized  
2                   health plan (as so defined) and which con-  
3                   stitutes qualified health insurance, em-  
4                   ployee contributions to the plan shall be  
5                   treated as amounts paid for qualified  
6                   health insurance.

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

13                  “(i) a benefit chosen under a cafeteria  
14                  plan (as defined in section 125(d)), or  
15                  “(ii) a benefit provided under a flexi-  
16                  ble spending or similar arrangement.

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

21                  “(i) is entitled to any benefits under  
22                  title XVIII of the Social Security Act, or  
23                  “(ii) is a participant in the program  
24                  under title XIX or XXI of such Act.

1                   “(E) CERTAIN OTHER COVERAGE.—Such  
2                   term shall not include any month during a tax-  
3                   able year with respect to an individual if, at any  
4                   time during such year, any benefit is provided  
5                   to such individual under—

6                   “(i) chapter 89 of title 5, United  
7                   States Code,

8                   “(ii) chapter 55 of title 10, United  
9                   States Code,

10                   “(iii) chapter 17 of title 38, United  
11                   States Code, or

12                   “(iv) any medical care program under  
13                   the Indian Health Care Improvement Act.

14                   “(F) PRISONERS.—Such term shall not in-  
15                   clude any month with respect to an individual  
16                   if, as of the first day of such month, such indi-  
17                   vidual is imprisoned under Federal, State, or  
18                   local authority.

19                   “(G) INSUFFICIENT PRESENCE IN UNITED  
20                   STATES.—Such term shall not include any  
21                   month during a taxable year with respect to an  
22                   individual if such individual is present in the  
23                   United States on fewer than 183 days during  
24                   such year (determined in accordance with sec-  
25                   tion 7701(b)(7)).

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

8           “(c) REDUCED CREDIT FOR PARTICIPANTS IN  
9           HEALTH PLANS OF EMPLOYERS.—In the case of any indi-  
10           vidual who participates in a subsidized health plan (within  
11           the meaning of section 162(l)(2)) maintained by any em-  
12           ployer of the taxpayer or of the spouse of the taxpayer  
13           (not including a cafeteria plan (as defined in section  
14           125(d))), there shall be allowed to the taxpayer one-quarter  
15           of the credit that would be allowed to the taxpayer under  
16           subsection (a) (determined without regard to the partici-  
17           pation in the health plan) if the monthly limitation were  
18           determined without the addition of the amount described  
19           in subsection (b)(3)(A)(ii).

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

22           “(1) IN GENERAL.—The term ‘qualified health  
23           insurance’ means insurance which constitutes med-  
24           ical care as defined in section 213(d) without regard  
25           to—

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

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

9                 “(e) MEDICAL SAVINGS ACCOUNT CONTRIBU-  
10                 TIONS.—

11                 “(1) IN GENERAL.—If a deduction would (but  
12                 for paragraph (2)) be allowed under section 220 to  
13                 the taxpayer for a payment for the taxable year to  
14                 the medical savings account of an individual, sub-  
15                 section (a) shall be applied by treating such payment  
16                 as a payment for qualified health insurance for such  
17                 individual.

18                 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-  
19                 tion shall be allowed under section 220 for that por-  
20                 tion of the payments otherwise allowable as a deduc-  
21                 tion under section 220 for the taxable year which is  
22                 equal to the amount of credit allowed for such tax-  
23                 able year by reason of this subsection.

24                 “(f) SPECIAL RULES.—

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

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

13           “(3) DENIAL OF DOUBLE BENEFIT.—No credit  
14         shall be allowed under subsection (a) if the credit  
15         under section 35 is allowed and no credit shall be al-  
16         lowed under 35 if a credit is allowed under this sec-  
17         tion 35.

18           “(4) ELECTION NOT TO CLAIM CREDIT.—This  
19         section shall not apply to a taxpayer for any taxable  
20         year if such taxpayer elects to have this section not  
21         apply for such taxable year.

22           “(5) INFLATION ADJUSTMENT.—In the case of  
23         any taxable year beginning in a calendar year after  
24         2003, each dollar amount contained in subsection

1       (b)(3)(B) shall be increased by an amount equal  
2       to—

3               “(A) such dollar amount, multiplied by  
4               “(B) the cost-of-living adjustment deter-  
5               mined under section 1(f)(3) for the calendar  
6               year in which the taxable year begins, deter-  
7               mined by substituting ‘calendar year 2002’ for  
8               ‘calendar year 1992’ in subparagraph (B)  
9               thereof.

10      Any increase determined under the preceding sen-  
11      tence shall be rounded to the nearest multiple of \$50  
12      (\$25 in the case of the dollar amount in subsection  
13      (b)(3)(B)(iii)).”.

14      (b) INFORMATION REPORTING.—

15            (1) IN GENERAL.—Subpart B of part III of  
16            subchapter A of chapter 61 of such Code (relating  
17            to information concerning transactions with other  
18            persons) is amended by inserting after section  
19            6050T the following new section:

20    **“SEC. 6050U. RETURNS RELATING TO PAYMENTS FOR**  
21            **QUALIFIED HEALTH INSURANCE.**

22      “(a) IN GENERAL.—Any person who, in connection  
23      with a trade or business conducted by such person, re-  
24      ceives payments during any calendar year from any indi-  
25      vidual for coverage of such individual or any other indi-

1 vidual under creditable health insurance, shall make the  
2 return described in subsection (b) (at such time as the  
3 Secretary may by regulations prescribe) with respect to  
4 each individual from whom such payments were received.

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

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

9           “(2) contains—

10           “(A) the name, address, and TIN of the  
11 individual from whom payments described in  
12 subsection (a) were received,

13           “(B) the name, address, and TIN of each  
14 individual who was provided by such person  
15 with coverage under creditable health insurance  
16 by reason of such payments and the period of  
17 such coverage, and

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

20       “(c) CREDITABLE HEALTH INSURANCE.—For pur-  
21 poses of this section, the term ‘creditable health insurance’  
22 means qualified health insurance (as defined in section  
23 36(c)) other than—

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

1           “(2) to the extent provided in regulations pre-  
2        scribed by the Secretary, any other insurance cov-  
3        ering an individual if no credit is allowable under  
4        section 36 with respect to such coverage.

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

11           “(1) the name and address of the person re-  
12        quired to make such return and the phone number  
13        of the information contact for such person,

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

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

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

24           “(e) RETURNS WHICH WOULD BE REQUIRED TO BE  
25       MADE BY 2 OR MORE PERSONS.—Except to the extent

1 provided in regulations prescribed by the Secretary, in the  
2 case of any amount received by any person on behalf of  
3 another person, only the person first receiving such  
4 amount shall be required to make the return under sub-  
5 section (a).”.

6 (2) ASSESSABLE PENALTIES.—

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

13 “(xii) section 6050U (relating to re-  
14 turns relating to payments for qualified  
15 health insurance),”.

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

22 “(CC) section 6050U(d) (relating to re-  
23 turns relating to payments for qualified health  
24 insurance).”.

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

6 (c) CONFORMING AMENDMENTS.—

“Sec. 36. Health insurance costs.  
“Sec. 37. Overpayments of tax.”.

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

17 SEC. 3. ADVANCE PAYMENT OF CREDIT FOR PURCHASERS  
18 OF QUALIFIED HEALTH INSURANCE.

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

1     **“SEC. 7528. 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 indi-  
11 vidual—

12                 “(1) who purchases qualified health insurance  
13  (as defined in section 36(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 36 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 36 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. 7528. 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 apply to taxable year beginning after the  
19 date of the enactment of this Act.

○