

108TH CONGRESS  
1ST SESSION

# H. R. 450

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

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 2003

Ms. DUNN (for herself and Mr. NEAL of Massachusetts) 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 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 2003”.

6 **SEC. 2. REFUNDABLE CREDIT FOR SMALL BUSINESSES**  
7 **PROVIDING HEALTH INSURANCE COVERAGE**  
8 **FOR EMPLOYEES.**

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

1 1986 (relating to refundable credits) is amended by redese-  
 2 ignating section 36 as section 37 and by inserting after  
 3 section 35 the following new section:

4 **“SEC. 36. SMALL BUSINESS COST OF PROVIDING HEALTH**  
 5 **INSURANCE COVERAGE FOR EMPLOYEES.**

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

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

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

14 “(c) LIMITATIONS.—

15 “(1) MAXIMUM EMPLOYEE COMPENSATION.—  
 16 No amount paid for a qualified premium shall be  
 17 taken into account under subsection (a) if such  
 18 amount is paid or incurred with respect to any em-  
 19 ployee to whom the taxpayer paid wages of \$40,000  
 20 or more for the calendar year ending with or in the  
 21 taxable year of the taxpayer.

22 “(2) MINIMUM EMPLOYEE SERVICE.—No  
 23 amount paid for a qualified premium shall be taken

1 into account under subsection (a) if such amount is  
2 paid or incurred with respect to any employee unless  
3 such employee has performed at least 400 hours of  
4 service for the employer during the taxable year of  
5 the employer.

6 “(3) INFLATION ADJUSTMENT.—In the case of  
7 a calendar year after 2004, the dollar amount con-  
8 tained in paragraph (1) shall be increased by an  
9 amount equal to—

10 “(A) such dollar amount, multiplied by

11 “(B) the cost-of-living adjustment deter-  
12 mined under section 1(f)(3) for such calendar  
13 year by substituting ‘calendar year 2003’ for  
14 ‘calendar year 1992’ in subparagraph (B)  
15 thereof.

16 Any increase under this paragraph which is not a  
17 multiple of \$100 shall be rounded to the next lowest  
18 multiple of \$100.

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

21 “(1) QUALIFIED PREMIUMS.—The term ‘quali-  
22 fied premiums’ means premiums paid by the tax-  
23 payer for qualified health insurance for any em-  
24 ployee of the taxpayer, and the employee’s spouse  
25 and dependents, but only if the employer pays not

1 less than 75 percent of the aggregate premiums for  
2 such insurance for the taxable year. For purposes of  
3 the preceding sentence, the term ‘premium’ shall  
4 have the same meaning as when used in section  
5 4980B(f)(4).

6 “(2) QUALIFIED HEALTH INSURANCE.—The  
7 term ‘qualified health insurance’ means insurance  
8 which constitutes medical care (as defined in section  
9 213(d)); except that such term shall not include any  
10 insurance if substantially all of its coverage is of ex-  
11 cepted benefits described in section 9832(c).

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

16 “(4) AGGREGATION RULE.—For purposes of  
17 this section, all persons treated as a single employer  
18 under subsection (a) or (b) of section 52 or sub-  
19 section (n) or (o) of section 414 shall be treated as  
20 one person.

21 “(e) TERMINATION.—This section shall not apply to  
22 taxable years beginning after December 31, 2008.”.

23 (b) TECHNICAL AMENDMENTS.—

24 (1) Paragraph (2) of section 1324(b) of title  
25 31, United States Code, is amended by inserting “or

1 from section 36 of such Code” before the period at  
2 the end.

3 (2) The table of sections for subpart C of part  
4 IV of subchapter A of chapter 1 of the Internal Rev-  
5 enue Code of 1986 is amended by striking the item  
6 relating to section 36 and inserting the following  
7 new items:

“Sec. 36. Small business cost of providing health insurance cov-  
erage for employees.

“Sec. 37. Overpayment of taxes.”.

8 (c) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 December 31, 2003.

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