

109TH CONGRESS
1ST SESSION

H. R. 118

To amend the Internal Revenue Code of 1986 to provide a refundable tax credit to small businesses for the costs of qualified health insurance.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 2005

Ms. HOOLEY 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 a refundable tax credit to small businesses for the costs of qualified 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 “Keeping Small Busi-
5 nesses Healthy Act of 2005”.

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 HEALTH INSURANCE EXPENSES.**

5 “(a) IN GENERAL.—There shall be allowed as a cred-
 6 it against the tax imposed by this chapter for the taxable
 7 year an amount equal to the applicable percentage of the
 8 amounts paid during the taxable year by the taxpayer for
 9 qualified health insurance for employees of the taxpayer
 10 and spouses and dependents of such employees.

11 “(b) APPLICABLE PERCENTAGE.—The applicable
 12 percentage shall be determined in accordance with the fol-
 13 lowing table:

“Total number of employees of taxpayer:	The applicable percentage is:
25 or fewer	60 percent
26 to 100	40 percent
101 or more	0 percent.

14 “(c) LIMITATIONS.—The credit allowed under this
 15 section shall be zero for any taxable year if—

16 “(1) less than 65 percent of the cost of the cov-
 17 erage (without regard to this section) for such year
 18 is borne by the employer,

19 “(2) the plan provides qualified health insur-
 20 ance to less than 75 percent of the employees of the
 21 employer for such year,

22 “(3) the percentage of the cost of the coverage
 23 (without regard to this section) for such year which

1 is borne by the employer is less than the percentage
2 of the cost of such coverage for any prior year which
3 was borne by such employer, or

4 “(4) the health benefits provided under the plan
5 for such year are less than the health benefits pro-
6 vided under the plan for any prior year.

7 “(d) SELF-EMPLOYED INDIVIDUALS.—For purposes
8 of this section, a self-employed individual (within the
9 meaning of section 401(c)) shall be treated as an em-
10 ployee.

11 “(e) QUALIFIED HEALTH INSURANCE.—For pur-
12 poses of this section, the term ‘qualified health insurance’
13 means insurance which constitutes medical care (as de-
14 fined in section 213(d)); except that such term shall not
15 include any insurance if substantially all of its coverage
16 is of excepted benefits described in section 9832(e).

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

21 (b) DENIAL OF DOUBLE BENEFIT.—Section 280C of
22 such Code is amended by adding at the end the following
23 new subsection:

24 “(e) CREDIT FOR SMALL BUSINESS HEALTH INSUR-
25 ANCE EXPENSES.—

1 “(1) IN GENERAL.—No deduction shall be al-
2 lowed for that portion of the expenses (otherwise al-
3 lowable as a deduction) taken into account in deter-
4 mining the credit under section 36 for the taxable
5 year which is equal to the amount of the credit de-
6 termined for such taxable year under section 36(a).

7 “(2) CONTROLLED GROUPS.—Persons treated
8 as one person under section 36(f) shall be treated as
9 one person for purposes of this section.”

10 (c) CONFORMING AMENDMENTS.—

11 (1) Paragraph (2) of section 1324(b) of title
12 31, United States Code, is amended by inserting “or
13 36” after “section 35”.

14 (2) The table of sections for subpart C of part
15 IV of subchapter A of chapter 1 of the Internal Rev-
16 enue Code of 1986 is amended by striking the item
17 relating to section 36 and inserting the following
18 new items:

“36. Small business cost of providing health insurance coverage for employees.

“37. Overpayment of taxes.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2005.

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