

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 3076

To amend the Internal Revenue Code of 1986 to allow individuals a credit against income tax for the cost of insurance against negative outcomes from surgery, including against malpractice of a physician.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2005

Mr. PAUL 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 individuals a credit against income tax for the cost of insurance against negative outcomes from surgery, including against malpractice of a physician.

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 “Freedom From Unnec-  
5        essary Litigation Act of 2005”.

1 **SEC. 2. CREDIT FOR PURCHASE BY PATIENT OF INSUR-**  
2 **ANCE AGAINST NEGATIVE OUTCOMES RE-**  
3 **SULTING FROM SURGERY.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-  
5 chapter A of chapter 1 of the Internal Revenue Code of  
6 1986 (relating to nonrefundable credits) is amended by  
7 inserting after section 25B the following new section:

8 **“SEC. 25C. COST OF INSURANCE PURCHASED BY PATIENT**  
9 **AGAINST NEGATIVE OUTCOMES RESULTING**  
10 **FROM SURGERY.**

11 “(a) IN GENERAL.—In the case of an individual,  
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 cost of negative outcomes insurance covering the indi-  
15 vidual or the spouse or any dependent (as defined in sec-  
16 tion 152) of the individual.

17 “(b) NEGATIVE OUTCOMES INSURANCE.—For pur-  
18 poses of this section, the term ‘negative outcomes insur-  
19 ance’ means insurance covering any negative side effect  
20 of surgery, including those caused by malpractice from the  
21 action or inaction of a physician.”.

22 (b) CONFORMING AMENDMENT.—The table of sec-  
23 tions for such subpart A of such Code is amended by in-  
24 serting after the item relating to section 25B the following  
25 new item:

“Sec. 25C. Cost of insurance purchased by patient against negative outcomes resulting from surgery.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to taxable years beginning after  
 3 the date of the enactment of this Act.

4 **SEC. 3. EXCLUSION FROM GROSS INCOME FOR MEDICAL**  
 5 **MALPRACTICE AWARDS GRANTED IN BIND-**  
 6 **ING ARBITRATION.**

7 (a) IN GENERAL.—Section 104 of the Internal Rev-  
 8 enue Code of 1986 (relating to compensation for injuries  
 9 or sickness) is amended by redesignated subsection (d) as  
 10 subsection (e) and by inserting after subsection (c) the fol-  
 11 lowing new subsection:

12 “(d) MEDICAL MALPRACTICE BINDING ARBITRATION  
 13 AWARDS.—In the case of damages awarded for medical  
 14 malpractice in binding arbitration, gross income does not  
 15 include such damages (whether for lost wages or other-  
 16 wise).”.

17 (b) EFFECTIVE DATE.—The amendment made by  
 18 subsection (a) shall apply to damages awarded after the  
 19 date of the enactment of this Act.

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