

109TH CONGRESS
1ST SESSION

H. R. 4173

To amend the Internal Revenue Code of 1986 to allow a refundable credit against income tax to subsidize the cost of COBRA continuation coverage for certain individuals.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 28, 2005

Mr. MENENDEZ introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce and Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to allow a refundable credit against income tax to subsidize the cost of COBRA continuation coverage for certain individuals.

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 “Health Care COBRA
5 OffSet Tax Savings Act of 2005” or the “Health Care
6 COSTS Act of 2005” .

1 **SEC. 2. REFUNDABLE CREDIT TO SUBSIDIZE COST OF**
 2 **COBRA CONTINUATION COVERAGE FOR CER-**
 3 **TAIN INDIVIDUALS.**

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 insert-
 7 ing after section 35 the following new section:

8 **“SEC. 35A. CREDIT TO SUBSIDIZE COST OF COBRA CON-**
 9 **TINUATION COVERAGE FOR CERTAIN INDI-**
 10 **VIDUALS.**

11 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
 12 gible individual, there shall be allowed as a credit against
 13 the tax imposed by this subtitle an amount equal to 50
 14 percent of the amount of the premium which would (but
 15 for this section) be required to be paid by such individual
 16 during the taxable year for COBRA continuation coverage
 17 under a group health plan.

18 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
 19 section—

20 “(1) IN GENERAL.—The term ‘eligible indi-
 21 vidual’ means any individual—

22 “(A) who receives COBRA continuation
 23 coverage under a group health plan by reason
 24 of a qualifying event described in section
 25 4980B(f)(3), and

1 “(B) the modified adjusted gross income
2 (as defined in section 221(b)(2)(C)) of whom
3 for the taxable year does not exceed the applica-
4 ble amount.

5 “(2) APPLICABLE AMOUNT.—For purposes of
6 paragraph (1), the applicable amount is \$30,000 in-
7 creased by \$10,000—

8 “(A) for the spouse of the taxpayer, and

9 “(B) for each individual who is a depend-
10 ent (as defined in section 152) of the taxpayer.

11 “(c) ASSIGNMENT OF CREDIT TO PLAN ADMINIS-
12 TRATOR.—The Secretary shall prescribe regulations which
13 permit eligible individuals to assign the credit under this
14 section to the administrator of the plan under which
15 COBRA continuation coverage is being provided. The
16 credit so assigned by an individual shall be treated by the
17 administrator as a premium payment by such individual.

18 “(d) OTHER DEFINITIONS.—For purposes of this
19 section—

20 “(1) ADMINISTRATOR.—The term ‘adminis-
21 trator’ has the meaning given such term in section
22 3(16) of the Employee Retirement Income Security
23 Act of 1974.

24 “(2) COBRA CONTINUATION COVERAGE.—The
25 term ‘COBRA continuation coverage’ means the

1 first 18 months of continuation coverage provided
 2 pursuant to—

3 “(A) section 4980B (other than subsection
 4 (f)(1) of such section insofar as it relates to pe-
 5 diatric vaccines),

6 “(B) title XXII of the Public Health Serv-
 7 ice Act,

8 “(C) part 6 of subtitle B of title I of the
 9 Employee Retirement Income Security Act of
 10 1974 (other than under section 609),

11 “(D) section 8905a of title 5, United
 12 States Code, or

13 “(E) a State program that provides con-
 14 tinuation coverage comparable to such continu-
 15 ation coverage.

16 “(3) GROUP HEALTH PLAN.—The term ‘group
 17 health plan’ has the meaning given such term in sec-
 18 tion 9832(a).”.

19 (b) CLERICAL AMENDMENT.—The table of sections
 20 for such subpart C is amended by inserting after the item
 21 relating to section 35 the following new item:

“Sec. 35A. Credit to subsidize cost of COBRA continuation coverage for certain
 individuals.”.

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

1 **SEC. 3. CHANGE IN COBRA NOTICE.**

2 (a) NOTICES.—

3 (1) GENERAL NOTICES.—In the case of notices
4 provided under sections 606 of the Employee Retirement
5 Income Security Act of 1974, section 2206 of
6 the Public Health Service Act, and section
7 4980B(f)(6) of the Internal Revenue Code of 1986
8 with respect to individuals who become entitled to
9 elect COBRA continuation coverage after the date of
10 the enactment of this Act, such notices shall include
11 an additional notification to the recipient of the
12 availability of the subsidy provided under section
13 35A of the Internal Revenue Code of 1986.

14 (2) ALTERNATIVE NOTICE.—In the case of
15 COBRA continuation coverage to which the notice
16 provisions described in paragraph (1) do not apply,
17 the Secretary of Labor shall, in coordination with
18 administrators of the group health plans (or other
19 entities) who provide or administer the COBRA con-
20 tinuation coverage involved, assure provision of such
21 notice.

22 (3) FORM.—The requirement of the additional
23 notification under this subsection may be met by
24 amendment of existing notice forms or by inclusion
25 of a separate document with the notice otherwise re-
26 quired.

1 (b) SPECIFIC REQUIREMENTS.—Each additional no-
2 tification under subsection (a) shall include—

3 (1) a description of the eligibility requirements
4 for premium assistance under section 35A of the In-
5 ternal Revenue Code of 1986,

6 (2) the name, address, and telephone number
7 necessary to contact the plan administrator and any
8 other person maintaining relevant information in
9 connection with the premium assistance, and

10 (3) the following statement displayed in a
11 prominent manner: “You may be eligible to receive
12 assistance with payment of 50 percent of your
13 COBRA continuation coverage premiums for a dura-
14 tion of not to exceed 18 months.”.

15 (c) MODEL NOTICES.—The Secretary of Labor shall
16 prescribe models for the additional notification required
17 under this section.

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