

109TH CONGRESS  
1ST SESSION

# H. R. 4385

To amend the Internal Revenue Code of 1986 to provide that employees of certain companies seeking bankruptcy protection are eligible for the health coverage tax credit, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 17, 2005

Mr. STRICKLAND (for himself, Mr. RYAN of Ohio, and Mr. BROWN of Ohio) 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 that employees of certain companies seeking bankruptcy protection are eligible for the health coverage tax credit, and for other purposes.

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. ELIGIBILITY OF EMPLOYEES OF CORPORA-**  
4                       **TIONS IN BANKRUPTCY FOR HEALTH COV-**  
5                       **ERAGE TAX CREDIT.**

6       (a) IN GENERAL.—Section 35 of the Internal Rev-  
7       enue Code of 1986 (relating to health insurance costs of

1 eligible individuals) is amended by adding at the end the  
 2 following new subsection:

3       “(h) APPLICATION TO ELIGIBLE BANKRUPT BUSI-  
 4 NESS EMPLOYEES.—

5               “(1) IN GENERAL.—An eligible bankrupt busi-  
 6 ness employee shall be treated as an eligible indi-  
 7 vidual for purposes of this section and section 7527.

8               “(2) EMPLOYER PROVIDED HEALTH CARE.—In  
 9 the case of an eligible bankrupt business employee  
 10 (and any qualifying family member of such em-  
 11 ployee), for purposes of this section and section  
 12 7527—

13                       “(A) the term ‘qualified health insurance’  
 14 shall include coverage under a group health  
 15 plan that is available through the employment  
 16 of such employee by the corporation referred to  
 17 in paragraph (3)(A), and

18                       “(B) subsection (f)(1) shall not apply with  
 19 respect to such coverage.

20       “(3) ELIGIBLE BANKRUPT BUSINESS EM-  
 21 PLOYEE.—For purposes of this subsection—

22                       “(A) IN GENERAL.—The term ‘eligible  
 23 bankrupt business employee’ means any indi-  
 24 vidual who is employed by a corporation on the  
 25 date that such corporation becomes a debtor in

1 a case under chapter 11 of title 11, United  
2 States Code.

3 “(B) TIME LIMITATIONS.—

4 “(i) IN GENERAL.—An individual  
5 shall be treated as an eligible bankrupt  
6 business employee only with respect to the  
7 period of months beginning with the month  
8 which includes the date described in sub-  
9 paragraph (A) and ending with the month  
10 which includes the earliest of—

11 “(I) the date that such debtor re-  
12 ceives a discharge in such case,

13 “(II) the date that such case is  
14 converted to a case under chapter 7 of  
15 such title, or

16 “(III) the date that such case is  
17 dismissed.

18 “(ii) 2 YEAR LIMITATION.—An indi-  
19 vidual shall not be treated as an eligible  
20 bankrupt business employee with respect to  
21 any month beginning after the 2-year pe-  
22 riod beginning on the date described in  
23 subparagraph (A).

24 “(C) COORDINATION WITH TAA AND PBGC  
25 RECIPIENT STATUS.—An individual shall not be

1           treated as an eligible bankrupt business em-  
 2           ployee with respect to any month if such indi-  
 3           vidual is an eligible TAA recipient, an eligible  
 4           alternative TAA recipient, or an eligible PBGC  
 5           pension recipient with respect to such month.”.

6           (b) **EFFECTIVE DATE.**—The amendment made by  
 7 this section shall apply to months beginning after the date  
 8 of the enactment of this Act, with respect to cases com-  
 9 menced under title 11, United State Code, before, on, or  
 10 after such date.

11 **SEC. 2. OTHER HEALTH CARE TAX CREDIT IMPROVEMENTS.**

12           (a) **DECREASE IN AGE ELIGIBILITY REQUIREMENT**  
 13 **FOR PBGC PENSION RECIPIENTS.**—Subparagraph (A) of  
 14 section 35(c)(4) of the Internal Revenue Code of 1986 (de-  
 15 fining eligible PBGC pension recipient) is amended by  
 16 striking “age 55” and inserting “age 50”.

17           (b) **REPEAL OF 3 MONTH REQUIREMENT OF EXIST-**  
 18 **ING COVERAGE.**—Clause (i) of section 35(e)(2)(B) of such  
 19 Code (defining qualifying individual) is amended by strik-  
 20 ing “9801(c)” and inserting “9801(c) (prior to the em-  
 21 ployment separation necessary to attain the status of an  
 22 eligible individual)”.

23           (c) **ELIGIBILITY OF SPOUSE OF CERTAIN INDIVID-**  
 24 **UALS ENTITLED TO MEDICARE.**—Subsection (b) of sec-  
 25 tion 35 of such Code (defining eligible coverage month)

1 is amended by adding at the end the following new para-  
2 graph:

3           “(3) SPECIAL RULE FOR SPOUSE OF INDIVIDUAL ENTITLED TO MEDICARE.—Any month  
4           which would be an eligible coverage month with re-  
5           spect to a taxpayer (determined without regard to  
6           subsection (f)(2)(A)) shall be an eligible coverage  
7           month for any spouse of such taxpayer.”.

9           (d) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to months beginning after the date  
11 of the enactment of this Act.

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