

109TH CONGRESS  
1ST SESSION

# H. R. 4625

To amend the Internal Revenue Code of 1986 to improve health care choice by providing for the tax deductibility of medical expenses by individuals.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 17, 2005

Mr. CHOCOLA (for himself, Mr. KENNEDY of Minnesota, Mr. HERGER, Mr. ENGLISH of Pennsylvania, Mr. WELLER, Mr. LEWIS of Kentucky, Mr. FOLEY, Mr. BRADY of Texas, Mr. RYAN of Wisconsin, Mr. CANTOR, Mr. BEAUPREZ, Ms. HART, Mr. AKIN, Mr. BARRETT of South Carolina, Mr. BARTLETT of Maryland, Mr. BASS, Mrs. BLACKBURN, Mr. BOOZMAN, Mrs. BONO, Mr. BRADLEY of New Hampshire, Ms. GINNY BROWN-WAITE of Florida, Mr. BURGESS, Mr. BURTON of Indiana, Mr. BUYER, Mr. CALVERT, Mr. CHABOT, Mr. COLE of Oklahoma, Mr. CONAWAY, Mrs. CUBIN, Mrs. JO ANN DAVIS of Virginia, Mr. DAVIS of Tennessee, Mr. LINCOLN DIAZ-BALART of Florida, Mr. DOOLITTLE, Mr. EHLERS, Mr. FEENEY, Mr. FITZPATRICK of Pennsylvania, Mr. FLAKE, Mr. FORTENBERRY, Ms. FOXX, Mr. FRANKS of Arizona, Mr. GARRETT of New Jersey, Mr. GILLMOR, Mr. GINGREY, Mr. GOHMERT, Mr. GRAVES, Mr. GREEN of Wisconsin, Mr. HALL, Mr. HAYES, Mr. HEFLEY, Mr. HENSARLING, Mr. HOEKSTRA, Mr. HOSTETTLER, Mr. HYDE, Mr. ISTOOK, Mr. JONES of North Carolina, Mr. KING of Iowa, Mr. KINGSTON, Mr. KLINE, Mr. MCCOTTER, Mr. MCHUGH, Mrs. MILLER of Michigan, Mr. MILLER of Florida, Mrs. MUSGRAVE, Mrs. MYRICK, Mr. NEUGEBAUER, Mrs. NORTHUP, Mr. OSBORNE, Mr. OTTER, Mr. PAUL, Mr. PENCE, Mr. PITTS, Mr. RADANOVICH, Mr. ROHRABACHER, Mr. ROGERS of Alabama, Mr. RYUN of Kansas, Mr. SENSENBRENNER, Mr. SESSIONS, Mr. SHIMKUS, Mr. SIMPSON, Mr. SMITH of New Jersey, Mr. SODREL, Mr. SOUDER, Mr. STEARNS, Mr. TANCREDO, Mr. TERRY, Mr. TIBERI, Mr. TURNER, Mr. WALSH, Mr. WAMP, Mr. WELDON of Florida, Mr. WESTMORELAND, Mr. WICKER, Mr. WILSON of South Carolina, and Mr. YOUNG of Alaska) 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 improve health care choice by providing for the tax deductibility of medical expenses by 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 Freedom  
5       of Choice Act”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds the following:

8               (1) Current law confers a tax benefit for health  
9       insurance provided as an employee fringe benefit,  
10      but no similar tax benefit for health insurance pur-  
11      chased by individuals. Similarly, current law confers  
12      a tax benefit on third-party payment of medical ex-  
13      penses, but no similar tax benefit for most individ-  
14      uals’ direct payment of medical expenses. This has  
15      effectively promoted employer-provided third party  
16      payment systems and effectively discouraged direct  
17      doctor-patient relationships.

18              (2) The current tax treatment of medical ex-  
19      penses has significantly curtailed competition for  
20      both health insurance and health care services gen-  
21      erally. This has effectively increased the cost of

1 health care and health insurance, which in turn has  
2 exposed people to greater health risks and made it  
3 more likely that individuals will go without needed  
4 care.

5 (3) The current tax treatment of medical ex-  
6 penses has restricted the freedom of individuals to  
7 exercise direct control over their health care dollars.  
8 The exclusion from gross income for employer-pro-  
9 vided health care plans with no corresponding tax  
10 benefit for health insurance and health care obtained  
11 by individuals (except the self-employed) constitutes  
12 a strong preferment for health care provided  
13 through employers' group plans as compared to  
14 health care that individuals purchase for themselves.  
15 This is why 90 perecent of Americans under age 65  
16 with private health insurance receive it through their  
17 employer.

18 (4) Providing a tax benefit for employer-pro-  
19 vided plans, but not for individually-purchased  
20 health care, discriminates against individuals who  
21 work for companies that do not provide health bene-  
22 fits, individuals who are temporarily employed, and  
23 the disabled.

24 (5) In many cases, employers are not able to  
25 offer their employees a variety of health insurance

1 plans. The Tax Code’s provision of benefits for  
2 mostly employer-provided health insurance has dis-  
3 criminated against individuals who work for these  
4 employers, especially small businesses. This is why  
5 90 percent of American businesses that provide  
6 health insurance offer employees the “choice” of  
7 only one health care plan. Americans who work for  
8 businesses with fewer than 25 employees are half as  
9 likely to have health coverage as those working for  
10 companies with 1,000 or more employees.

11 (6) The Tax Code’s preferment of employer-  
12 provided group plans has triggered a marketplace  
13 response reflected in the significant increases in  
14 large group health care delivery, and the creation of  
15 a few health care conglomerates in lieu of thousands  
16 of competitive providers of medical services and  
17 health insurance. This has increasingly placed med-  
18 ical decisions in the hands of health care bureauc-  
19 racies, and significantly eroded the doctor-patient re-  
20 lationship. Medical decisions should be returned to  
21 doctors and their patients. This will result in higher  
22 quality treatment and more patient protection.

23 (7) Consumers should have the freedom to pur-  
24 chase the health insurance of their choice, to choose

1       their own doctors, and to make their own decisions  
2       about their health care.

3           (8) By putting the medical choices made by in-  
4       dividuals on an equal footing with the medical  
5       choices made for them by their employers and third  
6       parties, the Tax Code can encourage greater choice  
7       and competition, thereby reducing the cost of nec-  
8       essary insurance for all Americans. This will enable  
9       millions more Americans to obtain needed health  
10      coverage, to make their own choices about which  
11      doctors to see, and to have access to the quality care  
12      they deserve and expect.

13   **SEC. 3. TAX DEDUCTIBILITY OF MEDICAL EXPENSES FOR**  
14                   **INDIVIDUALS.**

15      (a) IN GENERAL.—Section 213(a) of the Internal  
16   Revenue Code of 1986 (relating to the treatment of med-  
17   ical and dental expenses) is amended to read as follows:

18      “(a) ALLOWANCE OF DEDUCTION.—There shall be  
19   allowed as a deduction the expenses paid during the tax-  
20   able year, not compensated for by insurance or otherwise,  
21   for medical care of the taxpayer, the taxpayer’s spouse,  
22   or a dependent (as defined in section 152, determined  
23   without regard to subsections (b)(1), (b)(2), and (d)(1)(B)  
24   thereof).”.

1       (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to taxable years beginning after  
3 the calendar year which includes the date of the enactment  
4 of this Act.

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