

109TH CONGRESS
1ST SESSION

S. 1178

To amend the Internal Revenue Code of 1986 to allow individuals a refundable credit against income tax for the purchase of private health insurance.

IN THE SENATE OF THE UNITED STATES

JUNE 7, 2005

Mr. MARTINEZ introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow individuals a refundable credit against income tax for the purchase of private 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 “Securing Access,
5 Value, and Equality in Health Care Act”.

6 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH INSURANCE**
7 **COVERAGE.**

8 (a) IN GENERAL.—Subpart C of part IV of sub-
9 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. HEALTH INSURANCE COSTS.**

5 “(a) IN GENERAL.—In the case of an individual,
6 there shall be allowed as a credit against the tax imposed
7 by this subtitle an amount equal to the amount paid dur-
8 ing the taxable year for qualified health insurance for the
9 taxpayer, his spouse, and dependents.

10 “(b) LIMITATIONS.—

11 “(1) IN GENERAL.—The amount allowed as a
12 credit under subsection (a) to the taxpayer for the
13 taxable year shall not exceed the sum of the monthly
14 limitations for coverage months during such taxable
15 year for each individual referred to in subsection (a)
16 for whom the taxpayer paid during the taxable year
17 any amount for coverage under qualified health in-
18 surance.

19 “(2) PHASEOUT OF AMOUNT.—

20 “(A) REDUCTION BASED ON ADJUSTED
21 GROSS INCOME.—The amount determined under
22 paragraph (1) for any taxable year shall be re-
23 duced (but not below zero) by the amount de-
24 termined under subparagraph (B).

1 “(B) AMOUNT OF REDUCTION.—The
 2 amount determined under this subparagraph
 3 with respect to any amount determined under
 4 paragraph (1) shall be the amount which bears
 5 the same ratio to such amount determined
 6 under paragraph (1) as—

7 “(i) the excess of—

8 “(I) the taxpayer’s adjusted
 9 gross income for such taxable year,
 10 over

11 “(II) the applicable dollar
 12 amount, bears to

13 “(ii) \$10,000.

14 The rules of subparagraphs (B) and (C) of sec-
 15 tion 219(g)(2) shall apply to any reduction
 16 under this subparagraph.

17 “(C) DEFINITIONS.—For purposes of this
 18 paragraph—

19 “(i) adjusted gross income shall be de-
 20 termined in the same manner as under sec-
 21 tion 408A(c)(3)(C)(i), and

22 “(ii) the applicable dollar amount is—

23 “(I) in the case of a taxpayer fil-
 24 ing a joint return, \$105,000,

1 “(II) in the case of any other
2 taxpayer (other than a married indi-
3 vidual filing a separate return),
4 \$65,000, and

5 “(III) in the case of a married
6 individual filing a separate return,
7 zero.

8 “(3) MONTHLY LIMITATION.—

9 “(A) IN GENERAL.—The monthly limita-
10 tion for an individual for each coverage month
11 of such individual during the taxable year is the
12 amount equal to $\frac{1}{12}$ th of—

13 “(i) the base amount, plus

14 “(ii) 50 percent of the amount paid in
15 excess of the base amount.

16 “(B) BASE AMOUNT.—For purposes of this
17 paragraph, the base amount is—

18 “(i) \$1,000 if such individual is the
19 taxpayer,

20 “(ii) \$1,000 if—

21 “(I) such individual is the spouse
22 of the taxpayer,

23 “(II) the taxpayer and such
24 spouse are married as of the first day
25 of such month, and

1 “(III) the taxpayer files a joint
2 return for the taxable year, and

3 “(iii) \$500 if such individual is an in-
4 dividual for whom a deduction under sec-
5 tion 151(c) is allowable to the taxpayer for
6 such taxable year.

7 “(C) LIMITATION TO 2 DEPENDENTS.—
8 Not more than 2 individuals may be taken into
9 account by the taxpayer under subparagraph
10 (B)(iii).

11 “(D) SPECIAL RULE FOR MARRIED INDI-
12 VIDUALS.—In the case of an individual—

13 “(i) who is married (within the mean-
14 ing of section 7703) as of the close of the
15 taxable year but does not file a joint return
16 for such year, and

17 “(ii) who does not live apart from
18 such individual’s spouse at all times during
19 the taxable year, the limitation imposed by
20 subparagraph (C) shall be divided equally
21 between the individual and the individual’s
22 spouse unless they agree on a different di-
23 vision.

24 “(4) COVERAGE MONTH.—For purposes of this
25 subsection—

1 “(A) IN GENERAL.—The term ‘coverage
2 month’ means, with respect to an individual,
3 any month if—

4 “(i) as of the first day of such month
5 such individual is covered by qualified
6 health insurance, and

7 “(ii) the premium for coverage under
8 such insurance for such month is paid by
9 the taxpayer.

10 “(B) EMPLOYER-SUBSIDIZED COV-
11 ERAGE.—

12 “(i) IN GENERAL.—Such term shall
13 not include any month for which such indi-
14 vidual participates in any subsidized health
15 plan (within the meaning of section
16 162(l)(2)) maintained by any employer of
17 the taxpayer or of the spouse of the tax-
18 payer.

19 “(ii) PREMIUMS TO NONSUBSIDIZED
20 PLANS.—If an employer of the taxpayer or
21 the spouse of the taxpayer maintains a
22 health plan which is not a subsidized
23 health plan (as so defined) and which con-
24 stitutes qualified health insurance, em-
25 ployee contributions to the plan shall be

1 treated as amounts paid for qualified
2 health insurance.

3 “(C) CAFETERIA PLAN AND FLEXIBLE
4 SPENDING ACCOUNT BENEFICIARIES.—Such
5 term shall not include any month during a tax-
6 able year if any amount is not includible in the
7 gross income of the taxpayer for such year
8 under section 106 with respect to—

9 “(i) a benefit chosen under a cafeteria
10 plan (as defined in section 125(d)), or

11 “(ii) a benefit provided under a flexi-
12 ble spending or similar arrangement.

13 “(D) MEDICARE AND MEDICAID.—Such
14 term shall not include any month with respect
15 to an individual if, as of the first day of such
16 month, such individual—

17 “(i) is entitled to any benefits under
18 title XVIII of the Social Security Act, or

19 “(ii) is a participant in the program
20 under title XIX or XXI of such Act.

21 “(E) CERTAIN OTHER COVERAGE.—Such
22 term shall not include any month during a tax-
23 able year with respect to an individual if, at any
24 time during such year, any benefit is provided
25 to such individual under—

1 “(i) chapter 89 of title 5, United
2 States Code,

3 “(ii) chapter 55 of title 10, United
4 States Code,

5 “(iii) chapter 17 of title 38, United
6 States Code, or

7 “(iv) any medical care program under
8 the Indian Health Care Improvement Act.

9 “(F) PRISONERS.—Such term shall not in-
10 clude any month with respect to an individual
11 if, as of the first day of such month, such indi-
12 vidual is imprisoned under Federal, State, or
13 local authority.

14 “(G) INSUFFICIENT PRESENCE IN UNITED
15 STATES.—Such term shall not include any
16 month during a taxable year with respect to an
17 individual if such individual is present in the
18 United States on fewer than 183 days during
19 such year (determined in accordance with sec-
20 tion 7701(b)(7)).

21 “(5) COORDINATION WITH DEDUCTION FOR
22 HEALTH INSURANCE COSTS OF SELF-EMPLOYED IN-
23 DIVIDUALS.—In the case of a taxpayer who is eligi-
24 ble to deduct any amount under section 162(l) for
25 the taxable year, this section shall apply only if the

1 taxpayer elects not to claim any amount as a deduc-
2 tion under such section for such year.

3 “(c) REDUCED CREDIT FOR PARTICIPANTS IN
4 HEALTH PLANS OF EMPLOYERS.—In the case of any indi-
5 vidual who participates in a subsidized health plan (within
6 the meaning of section 162(l)(2)) maintained by any em-
7 ployer of the taxpayer or of the spouse of the taxpayer
8 (not including a cafeteria plan (as defined in section
9 125(d)), there shall be allowed to the taxpayer one-quarter
10 of the credit that would be allowed to the taxpayer under
11 subsection (a) (determined without regard to the partici-
12 pation in the health plan) if the monthly limitation were
13 determined without the addition of the amount described
14 in subsection (b)(3)(A)(ii).

15 “(d) QUALIFIED HEALTH INSURANCE.—For pur-
16 poses of this section—

17 “(1) IN GENERAL.—The term ‘qualified health
18 insurance’ means insurance which constitutes med-
19 ical care as defined in section 213(d) without regard
20 to—

21 “(A) paragraph (1)(C) thereof, and

22 “(B) so much of paragraph (1)(D) thereof
23 as relates to qualified long-term care insurance
24 contracts.

1 “(2) EXCLUSION OF CERTAIN OTHER CON-
2 TRACTS.—Such term shall not include insurance if a
3 substantial portion of its benefits are excepted bene-
4 fits (as defined in section 9832(c)).

5 “(e) MEDICAL SAVINGS ACCOUNT AND HEALTH SAV-
6 INGS ACCOUNT CONTRIBUTIONS.—

7 “(1) IN GENERAL.—If a deduction would (but
8 for paragraph (2)) be allowed under section 220 or
9 223 to the taxpayer for a payment for the taxable
10 year to the medical savings account or health sav-
11 ings account of an individual, subsection (a) shall be
12 applied by treating such payment as a payment for
13 qualified health insurance for such individual.

14 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-
15 tion shall be allowed under section 220 or 223 for
16 that portion of the payments otherwise allowable as
17 a deduction under section 220 or 223 for the taxable
18 year which is equal to the amount of credit allowed
19 for such taxable year by reason of this subsection.

20 “(f) SPECIAL RULES.—

21 “(1) COORDINATION WITH MEDICAL EXPENSE
22 DEDUCTION.—The amount which would (but for this
23 paragraph) be taken into account by the taxpayer
24 under section 213 for the taxable year shall be re-

1 duced by the credit (if any) allowed by this section
2 to the taxpayer for such year.

3 “(2) DENIAL OF CREDIT TO DEPENDENTS.—No
4 credit shall be allowed under this section to any indi-
5 vidual with respect to whom a deduction under sec-
6 tion 151 is allowable to another taxpayer for a tax-
7 able year beginning in the calendar year in which
8 such individual’s taxable year begins.

9 “(3) DENIAL OF DOUBLE BENEFIT.—No credit
10 shall be allowed under subsection (a) if the credit
11 under section 35 is allowed and no credit shall be al-
12 lowed under 35 if a credit is allowed under this sec-
13 tion 35.

14 “(4) ELECTION NOT TO CLAIM CREDIT.—This
15 section shall not apply to a taxpayer for any taxable
16 year if such taxpayer elects to have this section not
17 apply for such taxable year.

18 “(5) INFLATION ADJUSTMENT.—In the case of
19 any taxable year beginning in a calendar year after
20 2006, each dollar amount contained in subsection
21 (b)(3)(B) shall be increased by an amount equal
22 to—

23 “(A) such dollar amount, multiplied by

24 “(B) the cost-of-living adjustment deter-
25 mined under section 1(f)(3) for the calendar

1 year in which the taxable year begins, deter-
2 mined by substituting ‘calendar year 2005’ for
3 ‘calendar year 1992’ in subparagraph (B)
4 thereof.

5 Any increase determined under the preceding sen-
6 tence shall be rounded to the nearest multiple of \$50
7 (\$25 in the case of the dollar amount in subsection
8 (b)(3)(B)(iii)).”.

9 (b) INFORMATION REPORTING.—

10 (1) IN GENERAL.—Subpart B of part III of
11 subchapter A of chapter 61 of such Code (relating
12 to information concerning transactions with other
13 persons) is amended by inserting after section
14 6050T the following new section:

15 **“SEC. 6050U. RETURNS RELATING TO PAYMENTS FOR**
16 **QUALIFIED HEALTH INSURANCE.**

17 “(a) IN GENERAL.—Any person who, in connection
18 with a trade or business conducted by such person, re-
19 ceives payments during any calendar year from any indi-
20 vidual for coverage of such individual or any other indi-
21 vidual under creditable health insurance, shall make the
22 return described in subsection (b) (at such time as the
23 Secretary may by regulations prescribe) with respect to
24 each individual from whom such payments were received.

1 “(b) FORM AND MANNER OF RETURNS.—A return
2 is described in this subsection if such return—

3 “(1) is in such form as the Secretary may pre-
4 scribe, and

5 “(2) contains—

6 “(A) the name, address, and TIN of the
7 individual from whom payments described in
8 subsection (a) were received,

9 “(B) the name, address, and TIN of each
10 individual who was provided by such person
11 with coverage under creditable health insurance
12 by reason of such payments and the period of
13 such coverage, and

14 “(C) such other information as the Sec-
15 retary may reasonably prescribe.

16 “(c) CREDITABLE HEALTH INSURANCE.—For pur-
17 poses of this section, the term ‘creditable health insurance’
18 means qualified health insurance (as defined in section
19 36(d)) other than—

20 “(1) insurance under a subsidized group health
21 plan maintained by an employer, or

22 “(2) to the extent provided in regulations pre-
23 scribed by the Secretary, any other insurance cov-
24 ering an individual if no credit is allowable under
25 section 36 with respect to such coverage.

1 “(d) STATEMENTS TO BE FURNISHED TO INDIVID-
2 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
3 QUIRED.—Every person required to make a return under
4 subsection (a) shall furnish to each individual whose name
5 is required under subsection (b)(2)(A) to be set forth in
6 such return a written statement showing—

7 “(1) the name and address of the person re-
8 quired to make such return and the phone number
9 of the information contact for such person,

10 “(2) the aggregate amount of payments de-
11 scribed in subsection (a) received by the person re-
12 quired to make such return from the individual to
13 whom the statement is required to be furnished, and

14 “(3) the information required under subsection
15 (b)(2)(B) with respect to such payments.

16 The written statement required under the preceding sen-
17 tence shall be furnished on or before January 31 of the
18 year following the calendar year for which the return
19 under subsection (a) is required to be made.

20 “(e) RETURNS WHICH WOULD BE REQUIRED TO BE
21 MADE BY 2 OR MORE PERSONS.—Except to the extent
22 provided in regulations prescribed by the Secretary, in the
23 case of any amount received by any person on behalf of
24 another person, only the person first receiving such

1 amount shall be required to make the return under sub-
2 section (a).”.

3 (2) ASSESSABLE PENALTIES.—

4 (A) Subparagraph (B) of section
5 6724(d)(1) of such Code (relating to defini-
6 tions) is amended by redesignating clauses (xii)
7 through (xviii) as clauses (xiii) through (xix),
8 respectively, and by inserting after clause (xi)
9 the following new clause:

10 “(xii) section 6050U (relating to re-
11 turns relating to payments for qualified
12 health insurance),”.

13 (B) Paragraph (2) of section 6724(d) of
14 such Code is amended by striking “or” at the
15 end of the next to last subparagraph, by strik-
16 ing the period at the end of the last subpara-
17 graph and inserting “, or”, and by adding at
18 the end the following new subparagraph:

19 “(CC) section 6050U(d) (relating to re-
20 turns relating to payments for qualified health
21 insurance).”.

22 (3) CLERICAL AMENDMENT.—The table of sec-
23 tions for subpart B of part III of subchapter A of
24 chapter 61 of such Code is amended by inserting

1 after the item relating to section 6050T the fol-
 2 lowing new item:

“Sec. 6050U. Returns relating to payments for qualified health insurance.”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Paragraph (2) of section 1324(b) of title
 5 31, United States Code, is amended by inserting be-
 6 fore the period “, or from section 36 of such Code”.

7 (2) The table of sections for subpart C of part
 8 IV of subchapter A of chapter 1 of such Code is
 9 amended by striking the last item and inserting the
 10 following new items:

“Sec. 36. Health insurance costs.

“Sec. 37. Overpayments of tax.”.

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

14 **SEC. 3. ADVANCE PAYMENT OF CREDIT FOR PURCHASERS**
 15 **OF QUALIFIED HEALTH INSURANCE.**

16 (a) IN GENERAL.—Chapter 77 of the Internal Rev-
 17 enue Code of 1986 (relating to miscellaneous provisions)
 18 is amended by adding at the end the following new section:

19 **“SEC. 7529. ADVANCE PAYMENT OF HEALTH INSURANCE**
 20 **CREDIT FOR PURCHASERS OF QUALIFIED**
 21 **HEALTH INSURANCE.**

22 “(a) GENERAL RULE.—In the case of an eligible indi-
 23 vidual, the Secretary shall make payments to the provider

1 of such individual's qualified health insurance equal to
2 such individual's qualified health insurance credit advance
3 amount with respect to such provider.

4 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
5 section, the term ‘eligible individual’ means any indi-
6 vidual—

7 “(1) who purchases qualified health insurance
8 (as defined in section 36(d)), and

9 “(2) for whom a qualified health insurance
10 credit eligibility certificate is in effect.

11 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-
12 BILITY CERTIFICATE.—For purposes of this section, a
13 qualified health insurance credit eligibility certificate is a
14 statement furnished by an individual to the Secretary
15 which—

16 “(1) certifies that the individual will be eligible
17 to receive the credit provided by section 36 for the
18 taxable year,

19 “(2) estimates the amount of such credit for
20 such taxable year, and

21 “(3) provides such other information as the
22 Secretary may require for purposes of this section.

23 “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-
24 VANCE AMOUNT.—For purposes of this section, the term
25 ‘qualified health insurance credit advance amount’ means,

1 with respect to any provider of qualified health insurance,
2 the Secretary's estimate of the amount of credit allowable
3 under section 36 to the individual for the taxable year
4 which is attributable to the insurance provided to the indi-
5 vidual by such provider.

6 “(e) REGULATIONS.—The Secretary shall prescribe
7 such regulations as may be necessary to carry out the pur-
8 poses of this section.”.

9 (b) CLERICAL AMENDMENT.—The table of sections
10 for chapter 77 of such Code is amended by adding at the
11 end the following new item:

“Sec. 7529. Advance payment of health insurance credit for purchasers of
qualified health insurance.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable year beginning after the
14 date of the enactment of this Act.

○