

109TH CONGRESS
2D SESSION

S. 2270

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 SENATE OF THE UNITED STATES

FEBRUARY 9, 2006

Mr. MENENDEZ 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 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 2006” or the “Health Care
6 COSTS Act of 2006”.

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) CONFORMING AMENDMENTS.—

20 (1) Section 1324(b)(2) of title 31, United
 21 States Code, is amended by striking “or” before
 22 “enacted” and by inserting before the period at the
 23 end “, or from section 35A of such Code”.

1 (2) The table of sections for such subpart C is
 2 amended by inserting after the item relating to sec-
 3 tion 35 the following new item:

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

4 (c) **EFFECTIVE DATE.**—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 the date of the enactment of this Act.

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

8 (a) **NOTICES.**—

9 (1) **GENERAL NOTICES.**—In the case of notices
 10 provided under sections 606 of the Employee Retirement
 11 Income Security Act of 1974, section 2206 of
 12 the Public Health Service Act, and section
 13 4980B(f)(6) of the Internal Revenue Code of 1986
 14 with respect to individuals who become entitled to
 15 elect COBRA continuation coverage after the date of
 16 the enactment of this Act, such notices shall include
 17 an additional notification to the recipient of the
 18 availability of the subsidy provided under section
 19 35A of the Internal Revenue Code of 1986.

20 (2) **ALTERNATIVE NOTICE.**—In the case of
 21 COBRA continuation coverage to which the notice
 22 provisions described in paragraph (1) do not apply,
 23 the Secretary of Labor shall, in coordination with
 24 administrators of the group health plans (or other

1 entities) who provide or administer the COBRA con-
2 tinuation coverage involved, assure provision of such
3 notice.

4 (3) FORM.—The requirement of the additional
5 notification under this subsection may be met by
6 amendment of existing notice forms or by inclusion
7 of a separate document with the notice otherwise re-
8 quired.

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

11 (1) a description of the eligibility requirements
12 for premium assistance under section 35A of the In-
13 ternal Revenue Code of 1986,

14 (2) the name, address, and telephone number
15 necessary to contact the plan administrator and any
16 other person maintaining relevant information in
17 connection with the premium assistance, and

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

1 (c) MODEL NOTICES.—The Secretary of Labor shall
2 prescribe models for the additional notification required
3 under this section.

