

110TH CONGRESS  
1ST SESSION

# H. R. 3515

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

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 2007

Mr. MCHUGH 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 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 “Health Insurance Tax  
5 Relief Act of 2007”.

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 chapter 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(e)(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  $\frac{1}{12}$  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) \$2,000 if such individual is the  
19 taxpayer,

20                   “(ii) \$2,000 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) \$1,000 if such individual is an  
4                   individual 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,

20                         the limitation imposed by subparagraph (C)  
21                         shall be divided equally between the individual  
22                         and the individual’s spouse unless they agree on  
23                         a different division.

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 AND HEALTH SAVINGS ACCOUNT  
6           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 or health savings account of an  
11          individual, subsection (a) shall be applied by treating  
12          such payment as a payment for qualified health in-  
13          surance 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 (as the case  
18          may be) for the taxable year which is equal to the  
19          amount of credit allowed for such taxable year by  
20          reason of this subsection.

21          “(f) SPECIAL RULES.—

22          “(1) COORDINATION WITH MEDICAL EXPENSE  
23          DEDUCTION.—The amount which would (but for this  
24          paragraph) be taken into account by the taxpayer  
25          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.

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

11           “(2) the information required under subsection  
12 (b)(2)(B) with respect to such payments.

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

17       “(e) RETURNS WHICH WOULD BE REQUIRED TO BE  
18 MADE BY 2 OR MORE PERSONS.—Except to the extent  
19 provided in regulations prescribed by the Secretary, in the  
20 case of any amount received by any person on behalf of  
21 another person, only the person first receiving such  
22 amount shall be required to make the return under sub-  
23 section (a).”.

24           (2) ASSESSABLE PENALTIES.—

1           (A) Subparagraph (B) of section  
2           6724(d)(1) of such Code (relating to defini-  
3           tions) is amended by redesignating clauses (xiii)  
4           through (xviii) as clauses (xiv) through (xix),  
5           respectively, and by inserting after clause (xii)  
6           the following new clause:

7                     “(xiii) section 6050U (relating to re-  
8                     turns relating to payments for qualified  
9                     health insurance),”.

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

16                     “(CC) section 6050U(d) (relating to returns re-  
17                     lating to payments for qualified health insurance).”.

18           (3) CLERICAL AMENDMENT.—The table of sec-  
19           tions for subpart B of part III of subchapter A of  
20           chapter 61 of such Code is amended by inserting  
21           after the item relating to section 6050T the fol-  
22           lowing new item:

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

23           (c) CONFORMING AMENDMENTS.—



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

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

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

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

13           “(1) certifies that the individual will be eligible  
14 to receive the credit provided by section 36 for the  
15 taxable year,

16           “(2) estimates the amount of such credit for  
17 such taxable year, and

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

20       “(d) QUALIFIED HEALTH INSURANCE CREDIT AD-  
21 VANCE AMOUNT.—For purposes of this section, the term  
22 ‘qualified health insurance credit advance amount’ means,  
23 with respect to any provider of qualified health insurance,  
24 the Secretary’s estimate of the amount of credit allowable  
25 under section 36 to the individual for the taxable year

1 which is attributable to the insurance provided to the indi-  
2 vidual by such provider.

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

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

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

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

○