

111TH CONGRESS  
1ST SESSION

# H. R. 1495

To amend the Internal Revenue Code of 1986 to make health care coverage more accessible and affordable.

---

IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2009

Mr. PAUL 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 make health care coverage more accessible and affordable.

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 “Comprehensive Health  
5 Care Reform Act of 2009”.

6 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH CARE COSTS.**

7 (a) IN GENERAL.—Section 35 of the Internal Rev-  
8 enue Code of 1986 (relating to health insurance costs of  
9 eligible individuals) is amended to read as follows:

1 **“SEC. 35. HEALTH INSURANCE COSTS.**

2 “(a) IN GENERAL.—In the case of an individual,  
3 there shall be allowed as a credit against the tax imposed  
4 by this subtitle an amount equal to the sum of—

5 “(1) the amount paid by the taxpayer for insur-  
6 ance which constitutes medical care for the taxpayer  
7 and the taxpayer’s spouse and dependents, plus

8 “(2) the amount contributed to a health savings  
9 account of the individual (or the individual’s  
10 spouse).

11 “(b) LIMITATION.—The credit allowed by subsection  
12 (a) for the taxable year shall not exceed the sum of—

13 “(1) the taxpayer’s net income tax for the tax-  
14 able year, plus

15 “(2) the taxpayer’s Social Security taxes (as de-  
16 fined in section 24(d)) for such taxable year.

17 For purposes of paragraph (1), the term ‘net income tax’  
18 means the sum of the regular tax liability plus the tax  
19 imposed by section 55, reduced by the credits allowable  
20 under this part (other than this subpart).

21 “(c) DENIAL OF DOUBLE BENEFIT.—

22 “(1) IN GENERAL.—Any amount allowed as a  
23 credit under this section shall not be taken into ac-  
24 count in determining the amount of any deduction  
25 under this chapter.

1           “(2) COORDINATION WITH HEALTH SAVINGS  
2 ACCOUNT CONTRIBUTIONS.—For purposes of para-  
3 graph (1), amounts taken into account under sub-  
4 section (a) for a taxable year shall be treated as  
5 being attributable to amounts paid for insurance to  
6 the extent of such payments.”.

7 (b) CONFORMING AMENDMENTS.—

8           (1) Section 223(b) of such Code, as amended by  
9 section 4, is amended by adding at the end the fol-  
10 lowing new paragraph:

11           “(4) COORDINATION WITH CREDIT FOR  
12 HEALTH INSURANCE.—The limitation under para-  
13 graph (1) shall be reduced by the amount treated as  
14 being taken into account under section 35(a)(2).”.

15           (2) Section 223(e)(3)(B) of such Code, as  
16 amended by section 4, is amended by inserting “nor  
17 treated as being taken into account under section  
18 35(a)(2)” before the period at the end.

19           (3) Section 4973(g) of such Code is amended—

20           (A) in paragraph (1) by inserting “or a  
21 credit under section 35” after “section 223”,  
22 and

23           (B) in paragraph (2)(B)(i) by striking  
24 “maximum” and inserting “sum of the amount

1 treated as being taken into account under sec-  
2 tion 35(a)(2) plus the”.

3 (4) Section 162 of such Code is amended by  
4 striking subsection (l).

5 (5) Chapter 77 of such Code is amended by  
6 striking section 7527 and by striking the item relat-  
7 ing to section 7527 in the table of sections for such  
8 chapter.

9 (6) Subpart B of part III of subchapter A of  
10 chapter 61 of such Code is amended by striking sec-  
11 tion 6050T and by striking the item relating to sec-  
12 tion 6050T in the table of sections for such chapter.

13 (7) Section 6103(l) of such Code is amended by  
14 striking paragraph (18).

15 (8) Section 6103(p) of such Code is amended—

16 (A) in paragraph (3)(A) by striking “(17),  
17 or (18)” and inserting “or (17)”, and

18 (B) in paragraph (4) by striking “or (18)”  
19 after “any other person described in subsection  
20 (l)(10), (16)” each place it appears.

21 (9) Section 7213A(a)(1)(B) of such Code is  
22 amended by striking “subsection (l)(18) or (n) of  
23 section 6103” and inserting “section 6103(n)”.

24 (10) Section 6724(d)(1)(B) of such Code is  
25 amended by striking clause (xiii).

1           (11) Section 6724(d)(2) of such Code is amend-  
2           ed by striking subparagraph (DD).

3           (12) The item relating to section 35 in the table  
4           of sections for subpart C of part IV of subchapter  
5           A of chapter 1 of such Code is amended to read as  
6           follows:

“Sec. 35. Health insurance costs.”.

7           (c) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to taxable years beginning after  
9           December 31, 2009.

10 **SEC. 3. DISPOSITION OF UNUSED HEALTH BENEFITS IN**  
11 **CAFETERIA PLANS AND FLEXIBLE SPENDING**  
12 **ARRANGEMENTS.**

13           (a) IN GENERAL.—Section 125 of the Internal Rev-  
14           enue Code of 1986 (relating to cafeteria plans) is amended  
15           by redesignating subsections (i) and (j) as subsections (j)  
16           and (k), respectively, and by inserting after subsection (h)  
17           the following:

18           “(h) CARRYFORWARDS OR PAYMENTS OF CERTAIN  
19           UNUSED HEALTH BENEFITS.—

20           “(1) IN GENERAL.—For purposes of this title,  
21           a plan or other arrangement shall not fail to be  
22           treated as a cafeteria plan solely because qualified  
23           benefits under such plan include a health flexible  
24           spending arrangement under which not more than  
25           \$500 of unused health benefits may be—

1           “(A) carried forward to the succeeding  
2 plan year of such health flexible spending ar-  
3 rangement, or

4           “(B) paid to or on behalf of an employee  
5 as compensation as of the end of such plan year  
6 or upon the termination of, or failure to re-en-  
7 roll in, such plan or arrangement.

8           “(2) DISTRIBUTION OF UNUSED HEALTH BENE-  
9 FITS ON BEHALF OF EMPLOYEE.—For purposes of  
10 paragraph (1)(B), unused health benefits paid as  
11 compensation on behalf of an employee by the em-  
12 ployer shall be—

13           “(A) includible in gross income and wages  
14 of the employee, whether or not a deduction for  
15 such payment is allowable under this title to the  
16 employee, and

17           “(B) excludable from—

18           “(i) gross income to the extent pro-  
19 vided under section 402(e), 457(a) (with  
20 respect to contributions to an eligible de-  
21 ferred compensation plan (as defined in  
22 section 457(b)) of an eligible employer de-  
23 scribed in section 457(e)(1)(A)), or 220,  
24 and

1                   “(ii) wages to the extent otherwise  
2                   provided for amounts so excludable.

3                   “(3) HEALTH FLEXIBLE SPENDING ARRANGE-  
4                   MENT.—For purposes of this subsection, the term  
5                   ‘health flexible spending arrangement’ means a flexi-  
6                   ble spending arrangement (as defined in section  
7                   106(c)) that is a qualified benefit and only permits  
8                   reimbursement for expenses for medical care (as de-  
9                   fined in section 213(d)(1)) (without regard to sub-  
10                  paragraphs (C) and (D) thereof).

11                  “(4) UNUSED HEALTH BENEFITS.—For pur-  
12                  poses of this subsection, the term ‘unused health  
13                  benefits’ means the excess of—

14                         “(A) the maximum amount of reimburse-  
15                         ment allowable during a plan year under a  
16                         health flexible spending arrangement, over

17                         “(B) the actual amount of reimbursement  
18                         during such year under such arrangement.”.

19                  (b) EFFECTIVE DATE.—The amendment made by  
20                  subsection (a) shall apply to taxable years beginning after  
21                  December 31, 2009.

22                  **SEC. 4. STRENGTHENING HEALTH SAVINGS ACCOUNTS.**

23                  (a) REPEAL OF REQUIREMENT FOR COVERAGE  
24                  UNDER HIGH DEDUCTIBLE HEALTH PLAN.—

1           (1) IN GENERAL.—Section 223 of the Internal  
2           Revenue Code of 1986 (relating to health savings ac-  
3           counts) is amended by striking subsections (a), (b),  
4           and (c) and inserting the following:

5           “(a) DEDUCTION ALLOWED.—In the case of an indi-  
6           vidual, there shall be allowed as a deduction for the tax-  
7           able year an amount equal to the aggregate amount paid  
8           in cash during such taxable year by or on behalf of such  
9           individual to a health savings account of such individual.

10          “(b) LIMITATIONS.—

11           “(1) IN GENERAL.—The amount allowable as a  
12           deduction to a taxpayer under subsection (a) for the  
13           taxable year shall not exceed \$8,000 (\$16,000 in the  
14           case of a joint return).

15           “(2) COORDINATION WITH OTHER CONTRIBU-  
16           TIONS.—The limitation which would (but for this  
17           paragraph) apply under this subsection to a tax-  
18           payer for any taxable year shall be reduced (but not  
19           below zero) by the sum of—

20           “(A) the aggregate amount paid for such  
21           taxable year to Archer MSAs of the taxpayer,  
22           and

23           “(B) the aggregate amount contributed to  
24           health savings accounts of the taxpayer which is  
25           excludable from the taxpayer’s gross income for

1           such taxable year under section 106(d) (and  
2           such amount shall not be allowed as a deduc-  
3           tion under subsection (a)).

4           “(3) DENIAL OF DEDUCTION TO DEPEND-  
5           ENTS.—No deduction shall be allowed under this  
6           section to any individual with respect to whom a de-  
7           duction under section 151 is allowable to another  
8           taxpayer for a taxable year beginning in the cal-  
9           endar year in which such individual’s taxable year  
10          begins.”.

11          (2) CONFORMING AMENDMENTS.—

12                 (A) Section 223 of such Code is amended  
13                 by redesignating subsections (d), (e), (f), (g),  
14                 and (h) as subsections (c), (d), (e), (f), and (g),  
15                 respectively.

16                 (B) Section 223(f) of such Code (as redesi-  
17                 gnated by subparagraph (A)) is amended to  
18                 read as follows:

19                 “(f) COST-OF-LIVING ADJUSTMENT.—

20                         “(1) IN GENERAL.—In the case of any taxable  
21                         year beginning in a calendar year after 2010, each  
22                         dollar amount in subsection (b)(1) shall be increased  
23                         by an amount equal to—

24                                 “(A) such dollar amount, multiplied by

1           “(B) the cost-of-living adjustment deter-  
2           mined under section 1(f)(3) for the calendar  
3           year in which such taxable year begins, deter-  
4           mined by substituting ‘calendar year 2009’ for  
5           ‘calendar year 1992’ in subparagraph (B)  
6           thereof.

7           “(2) ROUNDING.—If any increase under para-  
8           graph (1) is not a multiple of \$50, such increase  
9           shall be rounded to the nearest multiple of \$50.”.

10           (C) Section 26(b)(2)(S) of such Code is  
11           amended by striking “section 223(f)(4)” and  
12           inserting “section 223(e)(4)”.

13           (D) Each of the following sections of such  
14           Code is amended by striking “section 223(d)”  
15           and inserting “section 223(c)”:

- 16                   (i) Section 35(g)(3).
- 17                   (ii) Section 106(d)(1).
- 18                   (iii) Section 220(f)(5)(A).
- 19                   (iv) Section 848(e)(1)(B)(v).
- 20                   (v) Section 4973(a)(5).
- 21                   (vi) Section 4973(g).
- 22                   (vii) Section 4975(c)(6).
- 23                   (viii) Section 4975(e)(1)(E).
- 24                   (ix) Section 6051(a)(12).

1 (E) Section 4973(g) of such Code is  
2 amended—

3 (i) in paragraph (1) by striking “sec-  
4 tion 223(f)(5)” and inserting “section  
5 223(e)(5)”,

6 (ii) in paragraph (2)(A) by striking  
7 “section 223(f)(2)” and inserting “section  
8 223(e)(2)”, and

9 (iii) in the matter following paragraph  
10 (2) by striking “section 223(f)(3)” and in-  
11 sserting “section 223(e)(3)”.

12 (F) Section 4975(c)(6) of such Code is  
13 amended by striking “section 223(e)(2)” and  
14 inserting “section 223(d)(2)”.

15 (G) Section 6693(a)(2)(C) of such Code is  
16 amended by striking “section 223(h)” and in-  
17 sserting “section 223(g)”.

18 (b) DEDUCTION ALLOWED FOR PREMIUM PAYMENTS  
19 FOR HIGH DEDUCTIBLE POLICIES.—Section 223(c)(2)(C)  
20 of such Code (as amended by subsection (a)) is amended  
21 by striking “or” at the end of clause (iii), by striking the  
22 period at the end of clause (iv) and inserting “, or”, and  
23 by inserting after clause (iv) the following new clause:

24 “(v) a high deductible health plan.”.

1 (c) PURCHASE OF MEDIGAP POLICIES PER-  
2 MITTED.—Clause (iv) of section 223(c)(2)(C) of such  
3 Code (as amended by this section) is amended by striking  
4 “other than” and inserting “, including”.

5 (d) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2009.

8 **SEC. 5. REPEAL OF 7.5 PERCENT THRESHOLD ON DEDUC-**  
9 **TION FOR MEDICAL EXPENSES.**

10 (a) IN GENERAL.—Subsection (a) of section 213 of  
11 the Internal Revenue Code of 1986 (relating to deduction  
12 for medical expenses) is amended by striking “to the ex-  
13 tent that such expenses exceed 7.5 percent of adjusted  
14 gross income”.

15 (b) EFFECTIVE DATE.—The amendment made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2009.

○