

111TH CONGRESS  
1ST SESSION

# H. R. 502

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

JANUARY 14, 2009

Mrs. BACHMANN (for herself, Mr. BROWN of South Carolina, Mr. BROUN of Georgia, Mr. WESTMORELAND, Mr. MCCLINTOCK, Mr. HENSARLING, Mr. FLEMING, Mr. THOMPSON of Pennsylvania, Mrs. LUMMIS, Mr. PAUL, Mr. BURTON of Indiana, Mr. GRAVES, Mr. SESSIONS, Mrs. BLACKBURN, Mr. BARTLETT, Mr. ROHRABACHER, and Mr. SCALISE) introduced the following bill; which was referred to the Committee on Committee on Ways and Means

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## 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:

1           (1) Current law confers a tax benefit for health  
2           insurance provided as an employee fringe benefit,  
3           but no similar tax benefit for health insurance pur-  
4           chased by individuals. Similarly, current law confers  
5           a tax benefit on third-party payment of medical ex-  
6           penses, but no similar tax benefit for most individ-  
7           uals' direct payment of medical expenses. This has  
8           effectively promoted employer-provided third party  
9           payment systems and effectively discouraged direct  
10          doctor-patient relationships.

11          (2) The current tax treatment of medical ex-  
12          penses has significantly curtailed competition for  
13          both health insurance and health care services gen-  
14          erally. This has effectively increased the cost of  
15          health care and health insurance, which in turn has  
16          exposed people to greater health risks and made it  
17          more likely that individuals will go without needed  
18          care.

19          (3) The current tax treatment of medical ex-  
20          penses has restricted the freedom of individuals to  
21          exercise direct control over their health care dollars.  
22          The exclusion from gross income for employer-pro-  
23          vided health care plans with no corresponding tax  
24          benefit for health insurance and health care obtained  
25          by individuals (except the self-employed) constitutes

1 a strong preferment for health care provided  
2 through employers' group plans as compared to  
3 health care that individuals purchase for themselves.  
4 This is why 90 percent of Americans under age 65  
5 with private health insurance receive it through their  
6 employer.

7 (4) Providing a tax benefit for employer-pro-  
8 vided plans, but not for individually purchased  
9 health care, discriminates against individuals who  
10 work for companies that do not provide health bene-  
11 fits, individuals who are temporarily employed, and  
12 the disabled.

13 (5) In many cases, employers are not able to  
14 offer their employees a variety of health insurance  
15 plans. The Tax Code's provision of benefits for  
16 mostly employer-provided health insurance has dis-  
17 criminated against individuals who work for these  
18 employers, especially small businesses. This is why  
19 90 percent of American businesses that provide  
20 health insurance offer employees the "choice" of  
21 only one health care plan. Americans who work for  
22 businesses with fewer than 25 employees are half as  
23 likely to have health coverage as those working for  
24 companies with 1,000 or more employees.

1           (6) The Tax Code's preferment of employer-  
2       provided group plans has triggered a marketplace  
3       response reflected in the significant increases in  
4       large group health care delivery, and the creation of  
5       a few health care conglomerates in lieu of thousands  
6       of competitive providers of medical services and  
7       health insurance. This has increasingly placed med-  
8       ical decisions in the hands of health care bureauc-  
9       racies, and significantly eroded the doctor-patient re-  
10      lationship. Medical decisions should be returned to  
11      doctors and their patients. This will result in higher  
12      quality treatment and more patient protection.

13           (7) Consumers should have the freedom to pur-  
14      chase the health insurance of their choice, to choose  
15      their own doctors, and to make their own decisions  
16      about their health care.

17           (8) By putting the medical choices made by in-  
18      dividuals on an equal footing with the medical  
19      choices made for them by their employers and third  
20      parties, the Tax Code can encourage greater choice  
21      and competition, thereby reducing the cost of nec-  
22      essary insurance for all Americans. This will enable  
23      millions more Americans to obtain needed health  
24      coverage, to make their own choices about which

1 doctors to see, and to have access to the quality care  
2 they deserve and expect.

3 **SEC. 3. TAX DEDUCTIBILITY OF MEDICAL EXPENSES FOR**  
4 **INDIVIDUALS.**

5 (a) IN GENERAL.—Section 213(a) of the Internal  
6 Revenue Code of 1986 (relating to the treatment of med-  
7 ical and dental expenses) is amended to read as follows:  
8 “(a) ALLOWANCE OF DEDUCTION.—There shall be  
9 allowed as a deduction the expenses paid during the tax-  
10 able year, not compensated for by insurance or otherwise,  
11 for medical care of the taxpayer, the taxpayer’s spouse,  
12 or a dependent (as defined in section 152, determined  
13 without regard to subsections (b)(1), (b)(2), and (d)(1)(B)  
14 thereof).”.

15 (b) EFFECTIVE DATE.—The amendment made by  
16 subsection (a) shall apply to taxable years beginning after  
17 the calendar year which includes the date of the enactment  
18 of this Act.

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