

112TH CONGRESS
2D SESSION

S. 2227

To amend the Internal Revenue Code of 1986 to expand and simplify the credit for employee health insurance expenses of small employers.

IN THE SENATE OF THE UNITED STATES

MARCH 22, 2012

Mr. KERRY (for himself and Ms. LANDRIEU) 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 expand and simplify the credit for employee health insurance expenses of small employers.

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 “Small Business Health
5 Care Tax Credit Improvement Act of 2012”.

6 **SEC. 2. EXPANSION AND SIMPLIFICATION OF CREDIT FOR**
7 **EMPLOYEE HEALTH INSURANCE EXPENSES**
8 **OF SMALL EMPLOYERS.**

9 (a) INCREASE IN MAXIMUM NUMBER OF ELIGIBLE
10 FULL-TIME EMPLOYEES.—Subparagraph (A) of section

1 45R(d)(1) of the Internal Revenue Code of 1986 is
 2 amended by striking “25 full-time equivalent employees”
 3 and inserting “50 full-time equivalent employees”.

4 (b) MODIFICATION OF PHASEOUT OF CREDIT
 5 AMOUNT.—

6 (1) IN GENERAL.—Subsection (c) of section
 7 45R of such Code is amended to read as follows:

8 “(c) PHASEOUT OF CREDIT AMOUNT BASED ON
 9 NUMBER OF EMPLOYEES AND AVERAGE WAGES.—

10 “(1) IN GENERAL.—The amount of the credit
 11 determined under subsection (b) shall be adjusted by
 12 multiplying—

13 “(A) the amount determined under sub-
 14 section (b), by

15 “(B) the product of the amount deter-
 16 mined under paragraph (2) and the amount de-
 17 termined under paragraph (3).

18 “(2) EMPLOYEE ADJUSTMENT.—The amount
 19 determined under this paragraph is a fraction (not
 20 more than 1) the numerator of which is the number
 21 by which the total number of full-time equivalent
 22 employees of the eligible employer is less than 50
 23 and the denominator of which is 30.

24 “(3) WAGES ADJUSTMENT.—The amount deter-
 25 mined under this paragraph is a fraction (not more

than 1) the numerator of which is the amount by which the average annual wages of the eligible employer is less than twice the dollar amount in effect under subsection (d)(3)(B) and the denominator of which is such dollar amount.”.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (a) of section 45R of such Code is amended by inserting “, as adjusted under subsection (c)” after “the amount determined under subsection (b)”.

(B) Subsection (b) of section 45R of such Code is amended by striking “Subject to subsection (c), the” and inserting “The”.

(C) Subparagraph (B) of section 45R(d)(3) of such Code is amended by striking “subsection (c)(2)” and inserting “subsection (c)(3)”.

(c) AVERAGE ANNUAL WAGE LIMITATION IN-

CREASE.—

(1) 2012 AND 2013.—Clause (i) of section 45R(d)(3) of such Code is amended to read as follows:

“(i) 2010, 2011, 2012, AND 2013.—The dollar amount in effect under this paragraph is—

1 “(I) for taxable years beginning
 2 in 2010 or 2011, \$25,000, and
 3 “(II) for taxable years beginning
 4 in 2012 or 2013, \$28,500.”.

5 (2) SUBSEQUENT YEARS.—Clause (ii) of section
 6 45R(d)(3) of such Code is amended by striking
 7 “\$25,000” and inserting “\$28,500”.

8 (d) REPEAL OF UNIFORMITY REQUIREMENT FOR
 9 CONTRIBUTIONS.—Paragraph (4) of section 45R(d) of
 10 such Code is amended—

11 (1) by striking “in an amount equal to a uni-
 12 form percentage (not less than 50 percent) of the
 13 premium cost of the qualified health plan”, and

14 (2) by inserting “(in an amount not less than
 15 50 percent of the premium cost of the qualified
 16 health plan)” after “nonelective contribution”.

17 (e) REPEAL OF LIMITATION BASED ON STATE AVER-
 18 AGE PREMIUMS.—

19 (1) IN GENERAL.—Subsection (b) of section
 20 45R of such Code is amended to read as follows:

21 “(b) HEALTH INSURANCE CREDIT AMOUNT.—Sub-
 22 ject to subsection (c), the amount determined under this
 23 subsection with respect to any eligible small employer is
 24 equal to 50 percent (35 percent in the case of a tax-exempt
 25 eligible small employer) of the aggregate amount of non-

1 elective contributions the employer made on behalf of its
2 employees during the taxable year under the arrangement
3 described in subsection (d)(4) for premiums for qualified
4 health plans offered by the employer to its employees
5 through an Exchange.”.

6 (2) CONFORMING AMENDMENT.—Paragraph (2)
7 of section 45R(g) of such Code is amended by in-
8 serting “and” at the end of subparagraph (A), by
9 striking “, and” at the end of subparagraph (B) and
10 inserting a period, and by striking subparagraph
11 (C).

12 (f) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2011.

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