

104TH CONGRESS  
2D SESSION

# H. R. 4176

To amend the Internal Revenue Code of 1986 to allow certain employees without employer-provided health coverage a refundable credit for their health insurance costs.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 25, 1996

Mr. McDERMOTT (for himself, Mr. GIBBONS, Mr. RANGEL, Mr. STARK, Mr. COYNE, and Mr. NEAL of Massachusetts) 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 certain employees without employer-provided health coverage a refundable credit for their health insurance costs.

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. REFUNDABLE CREDIT FOR HEALTH INSUR-**  
4 **ANCE COSTS OF EMPLOYEES.**

5 (a) IN GENERAL.—Subpart C of part IV of sub-  
6 chapter A of chapter 1 of the Internal Revenue Code of  
7 1986 (relating to refundable personal credits) is amended  
8 by redesignating section 35 as section 36 and by inserting  
9 after section 34 the following new section:

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

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 30 percent of the  
5 amount paid during the taxable year for insurance which  
6 constitutes medical care for the taxpayer, his spouse, and  
7 dependents.

8       “(b) LIMITATIONS.—

9               “(1) LIMITATION BASED ON EMPLOYEE COM-  
10 PENSATION.—The payments taken into account  
11 under subsection (a) for any taxable year shall not  
12 exceed the taxpayer’s wages, salaries, tips, and other  
13 employee compensation includible in gross income  
14 for such taxable year.

15               “(2) LIMITATION BASED ON OTHER COV-  
16 ERAGE.—Subsection (a) shall not apply to—

17                       “(A) any taxpayer for any calendar month  
18 for which the taxpayer is eligible to participate  
19 in any subsidized health plan maintained by  
20 any employer of the taxpayer or of the spouse  
21 of the taxpayer, or

22                       “(B) amounts paid for coverage under—

23                               “(i) part B of title XVIII of the Social  
24 Security Act, or

25                               “(ii) a medicare supplemental policy  
26 (within the meaning of section 1882(g)(1)

1 of the Social Security Act (42 U.S.C.  
2 1395ss(g)(1))) or similar supplemental  
3 coverage provided under a group health  
4 plan.

5 “(c) LIMITATION BASED ON ADJUSTED GROSS IN-  
6 COME.—

7 “(1) IN GENERAL.—No credit shall be allowed  
8 under subsection (a) for any taxable year for which  
9 the taxpayer’s adjusted gross income exceeds the ap-  
10 plicable dollar amount by \$10,000 or more.

11 “(2) PHASEOUT.—If the taxpayer’s adjusted  
12 gross income for the taxable year exceeds the appli-  
13 cable dollar amount by less than \$10,000, the credit  
14 which would (but for this subsection and subsection  
15 (d)) be allowed under subsection (a) shall be reduced  
16 (but not below zero) by an amount which bears the  
17 same ratio to such credit as such excess bears to  
18 \$10,000. Any reduction under the preceding sen-  
19 tence which is not a multiple of \$10 shall be round-  
20 ed to the next lowest \$10.

21 “(3) APPLICABLE DOLLAR AMOUNT.—The term  
22 ‘applicable dollar amount’ means—

23 “(A) in the case of a taxpayer filing a joint  
24 return, \$40,000,

1           “(B) in the case of any other taxpayer  
2           (other than a married individual filing a separate  
3           return), \$25,000, and

4           “(C) in the case of a married individual fil-  
5           ing a separate return, zero.

6           “(4) SPECIAL RULE FOR MARRIED INDIVIDUALS  
7           FILING SEPARATELY AND LIVING APART.—A hus-  
8           band and wife who—

9           “(A) file separate returns for any taxable  
10          year, and

11          “(B) live apart at all times during such  
12          taxable year,

13          shall not be treated as married individuals for pur-  
14          poses of this paragraph.

15          “(d) LIMITATION BASED ON AMOUNT OF TAX.—

16          “(1) IN GENERAL.—The credit allowed by sub-  
17          section (a) for the taxable year (determined after the  
18          application of subsections (b) and (c)) shall not ex-  
19          ceed the sum of—

20                 “(A) the tax imposed by this chapter for  
21                 the taxable year (reduced by the credits allow-  
22                 able against such tax other than the credits al-  
23                 lowable under this subpart), and

24                 “(B) the taxpayer’s social security taxes  
25                 for such taxable year.

1           “(2) SOCIAL SECURITY TAXES.—For purposes  
2 of paragraph (1)—

3           “(A) IN GENERAL.—The term ‘social secu-  
4 rity taxes’ means, with respect to any taxpayer  
5 for any taxable year—

6           “(i) the amount of the taxes imposed  
7 by sections 3101, 3111, 3201(a), and  
8 3221(a) on amounts received by the tax-  
9 payer during the calendar year in which  
10 the taxable year begins,

11           “(ii) the taxes imposed by section  
12 1401 on the self-employment income of the  
13 taxpayer for the taxable year, and

14           “(iii) the taxes imposed by section  
15 3211(a)(1) on amounts received by the  
16 taxpayer during the calendar year in which  
17 the taxable year begins.

18           “(B) COORDINATION WITH SPECIAL RE-  
19 FUND OF SOCIAL SECURITY TAXES.—The term  
20 ‘social security taxes’ shall not include any  
21 taxes to the extent the taxpayer is entitled to  
22 a special refund of such taxes under section  
23 6413(c).

24           “(C) SPECIAL RULE.—Any amounts paid  
25 pursuant to an agreement under section 3121(l)

1 (relating to agreements entered into by Amer-  
2 ican employers with respect to foreign affiliates)  
3 which are equivalent to the taxes referred to in  
4 subparagraph (A)(i) shall be treated as taxes  
5 referred to in such subparagraph.

6 “(e) COORDINATION WITH OTHER PROVISIONS.—

7 “(1) DEDUCTION FOR MEDICAL EXPENSES.—

8 The amount taken into account in computing the  
9 credit under subsection (a) shall not be taken into  
10 account in computing the amount allowable to the  
11 taxpayer as a deduction under section 213(a).

12 “(2) DEDUCTION FOR HEALTH INSURANCE

13 COSTS OF SELF-EMPLOYED INDIVIDUALS.—No

14 amount taken into account under section 162(l) may  
15 be taken into account under this section.

16 “(f) EXPENSES MUST BE SUBSTANTIATED.—A pay-

17 ment for insurance to which subsection (a) applies may

18 be taken into account under this section only if the tax-

19 payer substantiates such payment in such form as the Sec-

20 retary may prescribe.

21 “(g) SECTION NOT TO APPLY TO LONG-TERM CARE

22 INSURANCE.—This section shall not apply to insurance

23 which constitutes medical care by reason of section

24 213(d)(1)(C).”

1           (b) CLERICAL AMENDMENT.—The table of sections  
2 for subpart C of part IV of subchapter A of chapter 1  
3 of such Code is amended by striking the last item and  
4 inserting the following new items:

“Sec. 35. Health insurance costs of employees.

“Sec. 36. Overpayments of tax.”

5           (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 1996.

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