

104TH CONGRESS
1ST SESSION

S. 827

To amend the Internal Revenue Code of 1986 to limit an employer's deduction for health care costs of its employees if the employer fails to honor its commitment to provide health care to its retirees.

IN THE SENATE OF THE UNITED STATES

MAY 18 (legislative day, MAY 15), 1995

Mr. PRESSLER 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 limit an employer's deduction for health care costs of its employees if the employer fails to honor its commitment to provide health care to its retirees.

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. REDUCTION IN HEALTH CARE DEDUCTION OF**
4 **EMPLOYERS FAILING TO HONOR COMMIT-**
5 **MENT TO PROVIDING HEALTH CARE TO RE-**
6 **TIREES.**

7 (a) IN GENERAL.—Section 162 of the Internal Reve-
8 nue Code of 1986 (relating to deduction for trade or busi-

1 ness expenses) is amended by redesignating subsection (o)
2 as subsection (p) and by inserting after subsection (n) the
3 following new subsection:

4 “(o) REDUCTION IN CERTAIN HEALTH CARE DE-
5 Ductions OF EMPLOYEES.—

6 “(1) IN GENERAL.—Notwithstanding any other
7 provision of this chapter, if—

8 “(A) an employer provided medical care to
9 its retired employees and their spouses and de-
10 pendents during the 10-year period ending on
11 December 31, 1993, and

12 “(B) the employer does not provide that
13 medical care for any period after December 31,
14 1993,

15 the amount allowable as a deduction under this
16 chapter for expenses incurred in providing medical
17 care to officers and employees of the employer (and
18 their spouses and dependents) during the period de-
19 scribed in subparagraph (B) shall not exceed 25 per-
20 cent of the amount of the deduction without regard
21 to this subsection.

22 “(2) DEFINITIONS AND SPECIAL RULES.—For
23 purposes of this subsection—

1 “(A) MEDICAL CARE.—The term ‘medical
2 care’ has the meaning given such term by sec-
3 tion 213(d)(1).

4 “(B) FAILURE TO PROVIDE MEDICAL
5 CARE.—For purposes of paragraph (1)(B), an
6 employer shall be treated as failing to provide
7 medical care for any period if there is a sub-
8 stantial reduction in the level of medical care
9 provided during the period from the level pro-
10 vided on December 31, 1993.

11 “(C) PREDECESSORS.—For purposes of
12 paragraph (1)(A), an employer shall be treated
13 as having provided any medical care which any
14 predecessor of the employer provided.

15 “(D) CONTROLLED GROUPS.—All employ-
16 ers who are treated as one employer under sub-
17 section (a) or (b) of section 52 shall be treated
18 as one employer for purposes of this sub-
19 section.”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to periods beginning on and after
22 January 1, 1994, in taxable years ending after such date.

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