

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 3816

To amend the Internal Revenue Code of 1986 to allow the deduction for contributions to medical savings accounts, and the deduction for health insurance costs, to employees of small employers that do not offer any group health plan to their employees.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 7, 1998

Mr. LIPINSKI 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 the deduction for contributions to medical savings accounts, and the deduction for health insurance costs, to employees of small employers that do not offer any group health plan to their employees.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. MSA AND HEALTH INSURANCE DEDUCTIONS**  
 2 **FOR EMPLOYEES OF SMALL EMPLOYERS**  
 3 **WHICH DO NOT OFFER ANY GROUP HEALTH**  
 4 **PLAN TO THEIR EMPLOYEES.**

5 (a) WAIVER OF REQUIREMENT THAT HIGH DEDUCT-  
 6 IBLE HEALTH PLAN BE PROVIDED BY EMPLOYER.—Sub-  
 7 paragraph (A) of section 220(c)(1) of the Internal Reve-  
 8 nue Code of 1986 (defining eligible individual) is amended  
 9 by adding at the end the following flush sentence:

10 “In the case of a small employer which does not  
 11 maintain a group health plan for its employees,  
 12 clause (iii)(I) shall not apply to employees of  
 13 such employer (nor to spouses of such employ-  
 14 ees), and the limitations of subsections (i) and  
 15 (j) shall not apply to such employees (and  
 16 spouses).”.

17 (b) DEDUCTION FOR HEALTH INSURANCE COSTS.—

18 (1) IN GENERAL.—Part VII of subchapter B of  
 19 chapter 1 of such Code (relating to additional  
 20 itemized deductions) is amended by redesignating  
 21 section 222 as section 223 and by inserting after  
 22 section 221 the following new section:

23 **“SEC. 222. HEALTH INSURANCE COSTS OF EMPLOYEES OF**  
 24 **CERTAIN SMALL EMPLOYERS.**

25 “(a) IN GENERAL.—In the case of an eligible individ-  
 26 ual, there shall be allowed as a deduction an amount equal

1 to applicable percentage (as defined in section 162(l)) of  
2 the amount paid during the taxable year for insurance  
3 which constitutes medical care for the taxpayer, his  
4 spouse, and dependents.

5 “(b) LIMITATIONS.—

6 “(1) LIMITATION BASED ON EARNED INCOME  
7 FROM SMALL EMPLOYER.—No deduction shall be al-  
8 lowed under subsection (a) to the extent that the  
9 amount of such deduction exceeds the taxpayer’s  
10 wages, salaries, tips, and other employee compensa-  
11 tion includible in gross income which are attrib-  
12 utable to employment by an employer referred to in  
13 subsection (c) during the period that the individual  
14 is an eligible individual.

15 “(2) EMPLOYEES WITH SELF-EMPLOYMENT IN-  
16 COME INELIGIBLE.—No deduction shall be allowed  
17 under subsection (a) for an amount paid for insur-  
18 ance referred to in subsection (a) to the extent that  
19 such amount is allocable to coverage for a month for  
20 which the individual has earned income (as defined  
21 in section 401(c)(2)).

22 “(c) ELIGIBLE INDIVIDUAL.—For purposes of sub-  
23 section (a), the term ‘eligible individual’ means, with re-  
24 spect to any period, any individual who for such period  
25 is an employee of a small employer (as defined in section

1 220(c)(4)) which does not maintain a group health plan  
 2 for its employees for such period.

3 “(d) COORDINATION WITH MEDICAL DEDUCTION.—  
 4 Any amount paid by a taxpayer for insurance to which  
 5 subsection (a) applies shall not be taken into account in  
 6 computing the amount allowable to the taxpayer as a de-  
 7 duction under section 213(a).”

8 (2) DEDUCTION ALLOWED WHETHER OR NOT  
 9 TAXPAYER ITEMIZES OTHER DEDUCTIONS.—Sub-  
 10 section (a) of section 62 of such Code is amended  
 11 by inserting after paragraph (17) the following new  
 12 paragraph:

13 “(18) HEALTH INSURANCE COSTS OF EMPLOY-  
 14 EES OF CERTAIN SMALL EMPLOYERS.—The deduc-  
 15 tion allowed by section 222.”

16 (3) CLERICAL AMENDMENT.—The table of sec-  
 17 tions for part VII of subchapter B of chapter 1 of  
 18 such Code is amended by striking the last item and  
 19 inserting the following new items:

“Sec. 222. Health insurance costs of employees of certain small  
 employers.

“Sec. 223. Cross reference.”

20 (c) EFFECTIVE DATE.—The amendments made by  
 21 this section shall apply to taxable years beginning after  
 22 December 31, 1998.

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