

107TH CONGRESS  
1ST SESSION

# S. 232

To amend the Internal Revenue Code of 1986 to exclude United States savings bond income from gross income if used to pay long-term care expenses.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 31, 2001

Mr. CLELAND (for himself, Mr. DURBIN, Mr. HAGEL, Mr. CORZINE, and Ms. LANDRIEU) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to exclude United States savings bond income from gross income if used to pay long-term care expenses.

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. EXCLUSION OF UNITED STATES SAVINGS BOND**  
4 **INCOME FROM GROSS INCOME IF USED TO**  
5 **PAY LONG-TERM CARE EXPENSES.**

6 (a) IN GENERAL.—Subsection (a) of section 135 of  
7 the Internal Revenue Code of 1986 (relating to income  
8 from United States savings bonds used to pay higher edu-  
9 cation tuition and fees) is amended to read as follows:

1 “(a) EXCLUSION.—

2 “(1) GENERAL RULE.—In the case of an indi-  
3 vidual who pays qualified expenses during the tax-  
4 able year, no amount shall be includible in gross in-  
5 come by reason of the redemption during such year  
6 of any qualified United States savings bond.

7 “(2) QUALIFIED EXPENSES.—For purposes of  
8 this section, the term ‘qualified expenses’ means—

9 “(A) qualified higher education expenses,  
10 and

11 “(B) eligible long-term care expenses.”.

12 (b) LIMITATION WHERE REDEMPTION PROCEEDS  
13 EXCEED QUALIFIED EXPENSES.—Section 135(b)(1) of  
14 the Internal Revenue Code of 1986 (relating to limitation  
15 where redemption proceeds exceed higher education ex-  
16 penses) is amended—

17 (1) by striking “higher education” in subpara-  
18 graph (A)(ii), and

19 (2) by striking “HIGHER EDUCATION” in the  
20 heading thereof.

21 (c) ELIGIBLE LONG-TERM CARE EXPENSES.—Sec-  
22 tion 135(c) of the Internal Revenue Code of 1986 (relating  
23 to definitions) is amended by redesignating paragraph (4)  
24 as paragraph (5) and by inserting after paragraph (3) the  
25 following new paragraph:

1           “(4) ELIGIBLE LONG-TERM CARE EXPENSES.—  
 2           The term ‘eligible long-term care expenses’ means  
 3           qualified long-term care expenses (as defined in sec-  
 4           tion 7702B(c)) and eligible long-term care premiums  
 5           (as defined in section 213(d)(10)) of—

6                   “(A) the taxpayer,

7                   “(B) the taxpayer’s spouse, or

8                   “(C) any dependent of the taxpayer with  
 9           respect to whom the taxpayer is allowed a de-  
 10          duction under section 151.”.

11          (d) ADJUSTMENTS.—Section 135(d) of the Internal  
 12          Revenue Code of 1986 (relating to special rules) is amend-  
 13          ed by redesignating paragraphs (3) and (4) as paragraphs  
 14          (4) and (5), respectively, and by inserting after paragraph  
 15          (2) the following new paragraph:

16               “(3) ELIGIBLE LONG-TERM CARE EXPENSE AD-  
 17               JUSTMENTS.—The amount of eligible long-term care  
 18               expenses otherwise taken into account under sub-  
 19               section (a) with respect to an individual shall be re-  
 20               duced (before the application of subsection (b)) by  
 21               the sum of—

22                   “(A) any amount paid for qualified long-  
 23               term care services (as defined in section  
 24               7702B(c)) provided to such individual and de-  
 25               scribed in section 213(d)(11), plus

1           “(B) any amount received by the taxpayer  
2           or the taxpayer’s spouse or dependents for the  
3           payment of eligible long-term care expenses  
4           which is excludable from gross income.”.

5           (e) COORDINATION WITH DEDUCTIONS.—

6           (1) Section 213 of the Internal Revenue Code  
7           of 1986 (relating to medical, dental, etc., expenses)  
8           is amended by adding at the end the following new  
9           subsection:

10          “(f) COORDINATION WITH SAVINGS BOND INCOME  
11          USED FOR EXPENSES.—Any expense taken into account  
12          in determining the exclusion under section 135 shall not  
13          be treated as an expense paid for medical care.”.

14          (2) Section 162(l) of such Code (relating to  
15          special rules for health insurance costs of self-em-  
16          ployed individuals) is amended by adding at the end  
17          the following new paragraph:

18          “(6) COORDINATION WITH SAVINGS BOND IN-  
19          COME USED FOR EXPENSES.—Any expense taken  
20          into account in determining the exclusion under sec-  
21          tion 135 shall not be treated as an expense paid for  
22          medical care.”.

23          (f) CLERICAL AMENDMENTS.—

24          (1) The heading for section 135 of the Internal  
25          Revenue Code of 1986 is amended by inserting

1       **“AND LONG-TERM CARE EXPENSES”** after  
2       **“FEES”**.

3           (2) The item relating to section 135 in the table  
4       of sections for part III of subchapter B of chapter  
5       1 of such Code is amended by inserting “and long-  
6       term care expenses” after “fees”.

7       (g) **EFFECTIVE DATE.**—The amendments made by  
8       this section shall apply to taxable years beginning after  
9       December 31, 2000.

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