

108TH CONGRESS
1ST SESSION

H. R. 3607

To amend the Internal Revenue Code of 1986 to provide a refundable tax credit to small businesses for the costs of qualified health insurance.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 21, 2003

Ms. HOOLEY of Oregon (for herself, Mr. FROST, Mr. WU, Mrs. MCCARTHY of New York, Mr. DEFazio, Mr. EVANS, Mr. GRIJALVA, Ms. KAPTUR, Ms. WOOLSEY, and Ms. DEGETTE) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide a refundable tax credit to small businesses for the costs of qualified health insurance.

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 “Keeping Small Busi-
5 nesses Health Act of 2003”.

1 **SEC. 2. REFUNDABLE CREDIT FOR SMALL BUSINESSES**
 2 **PROVIDING HEALTH INSURANCE COVERAGE**
 3 **FOR EMPLOYEES.**

4 (a) IN GENERAL.—Subpart C of part IV of sub-
 5 chapter A of chapter 1 of the Internal Revenue Code of
 6 1986 (relating to refundable credits) is amended by redес-
 7 ignating section 36 as section 37 and by inserting after
 8 section 35 the following new section:

9 **“SEC. 36. SMALL BUSINESS HEALTH INSURANCE EXPENSES.**

10 “(a) IN GENERAL.—There shall be allowed as a cred-
 11 it against the tax imposed by this chapter for the taxable
 12 year an amount equal to the applicable percentage of the
 13 amounts paid during the taxable year by the taxpayer for
 14 qualified health insurance for employees of the taxpayer
 15 and spouses and dependents of such employees.

16 “(b) APPLICABLE PERCENTAGE.—The applicable
 17 percentage shall be determined in accordance with the fol-
 18 lowing table:

“Total number of employees of taxpayer:	The applicable percentage is:
25 or fewer	60 percent
26 to 100	40 percent
101 or more	0 percent.

19 “(c) LIMITATIONS.—The credit allowed under this
 20 section shall be zero for any taxable year if—

21 “(1) less than 65 percent of the cost of the cov-
 22 erage (without regard to this section) for such year
 23 is borne by the employer,

1 “(2) the plan provides qualified health insur-
2 ance to less than 75 percent of the employees of the
3 employer for such year,

4 “(3) the percentage of the cost of the coverage
5 (without regard to this section) for such year which
6 is borne by the employer is less than the percentage
7 of the cost of such coverage for any prior year which
8 was borne by such employer, or

9 “(4) the health benefits provided under the plan
10 for such year are less than the health benefits pro-
11 vided under the plan for any prior year.

12 “(d) SELF-EMPLOYED INDIVIDUALS.—For purposes
13 of this section, a self-employed individual (within the
14 meaning of section 401(c)) shall be treated as an em-
15 ployee.

16 “(e) QUALIFIED HEALTH INSURANCE.—For pur-
17 poses of this section, the term ‘qualified health insurance’
18 means insurance which constitutes medical care (as de-
19 fined in section 213(d)); except that such term shall not
20 include any insurance if substantially all of its coverage
21 is of excepted benefits described in section 9832(c).

22 “(f) AGGREGATION RULE.—For purposes of this sec-
23 tion, all persons treated as a single employer under sub-
24 section (a) or (b) of section 52 or subsection (n) or (o)
25 of section 414 shall be treated as one person.”.

1 (b) DENIAL OF DOUBLE BENEFIT.—Section 280C of
2 such Code is amended by adding at the end the following
3 new subsection:

4 “(d) CREDIT FOR SMALL BUSINESS HEALTH INSUR-
5 ANCE EXPENSES.—

6 “(1) IN GENERAL.—No deduction shall be al-
7 lowed for that portion of the expenses (otherwise al-
8 lowable as a deduction) taken into account in deter-
9 mining the credit under section 36 for the taxable
10 year which is equal to the amount of the credit de-
11 termined for such taxable year under section 36(a).

12 “(2) CONTROLLED GROUPS.—Persons treated
13 as one person under section 36(f) shall be treated as
14 one person for purposes of this section.”

15 (c) CONFORMING AMENDMENTS.—

16 (1) Paragraph (2) of section 1324(b) of title
17 31, United States Code, is amended by inserting “or
18 from section 36 of such Code” before the period at
19 the end.

20 (2) The table of sections for subpart C of part
21 IV of subchapter A of chapter 1 of the Internal Rev-
22 enue Code of 1986 is amended by striking the item
23 relating to section 36 and inserting the following
24 new items:

“Sec. 36. Small business cost of providing health insurance coverage for em-
ployees.

“Sec. 37. Overpayment of taxes.”.

1 (d) **EFFECTIVE DATE.**—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2003.

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