

108TH CONGRESS  
1ST SESSION

# S. 142

To amend the Internal Revenue Code of 1986 to allow medicare beneficiaries an advanced refundable credit against income tax for the purchase of outpatient prescription drugs.

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IN THE SENATE OF THE UNITED STATES

JANUARY 13, 2003

Mr. DAYTON 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 allow medicare beneficiaries an advanced refundable credit against income tax for the purchase of outpatient prescription drugs.

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. ADVANCED REFUNDABLE CREDIT FOR OUT-**  
4 **PATIENT PRESCRIPTION DRUGS FOR MEDI-**  
5 **CARE BENEFICIARIES.**

6 (a) IN GENERAL.—Subpart C of part IV of sub-  
7 chapter A of chapter 1 of the Internal Revenue Code of  
8 1986 (relating to refundable credits) is amended by redess-

1 ignating section 36 as section 37 and by inserting after  
2 section 35 the following new section:

3 **“SEC. 36. OUTPATIENT PRESCRIPTION DRUGS FOR MEDI-**  
4 **CARE BENEFICIARIES.**

5 “(a) IN GENERAL.—In the case of an eligible indi-  
6 vidual, there shall be allowed as a credit against the tax  
7 imposed by this subtitle an amount equal to so much of  
8 the amount paid during the taxable year, not compensated  
9 for by insurance or otherwise, for qualified outpatient pre-  
10 scription drugs for such individual as exceeds 10 percent  
11 of the taxpayer’s taxable income for such taxable year.

12 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this  
13 section, the term ‘eligible individual’ means, with respect  
14 to any taxable year, any individual entitled to any benefits  
15 under title XVIII of the Social Security Act during such  
16 taxable year.

17 “(c) QUALIFIED OUTPATIENT PRESCRIPTION  
18 DRUGS.—For purposes of this section, the term ‘qualified  
19 outpatient prescription drugs’ means, with respect to any  
20 taxable year, any prescription drug the cost of which is  
21 not covered under title XVIII of the Social Security Act  
22 during such taxable year.

23 “(d) COORDINATION WITH MEDICAL EXPENSE DE-  
24 DUCTION.—The amount which would (but for this para-  
25 graph) be taken into account by the taxpayer under sec-

1 tion 162(l) or 213 for the taxable year shall be reduced  
2 by the credit (if any) allowed by this section to the tax-  
3 payer for such year.

4 “(e) **ADVANCED REFUNDABILITY.**—The Secretary  
5 shall provide for the advanced refundability of the credit  
6 allowed under this section to be made in quarterly pay-  
7 ments to taxpayers providing such information as the Sec-  
8 retary requires in order to make a proper determination  
9 of such payments.”.

10 (b) **CONFORMING AMENDMENTS.**—

11 (1) Paragraph (2) of section 1324(b) of title  
12 31, United States Code, is amended by inserting be-  
13 fore the period “, or from section 36 of such Code”.

14 (2) The table of sections for subpart C of part  
15 IV of subchapter A of chapter 1 of the Internal Rev-  
16 enue Code of 1986 is amended by striking the last  
17 item and inserting the following new items:

“Sec. 36. Outpatient prescription drugs for medicare beneficiaries.  
“Sec. 37. Overpayments of tax.”.

18 (c) **NOTIFICATION OF CREDIT.**—The Secretary of  
19 Health and Human Services shall notify each individual  
20 who is or becomes entitled to benefits under title XVIII  
21 of the Social Security Act in 2002 of the individual’s eligi-  
22 bility for the advanced refundable credit for outpatient  
23 prescription drugs under section 36 of the Internal Rev-  
24 enue Code of 1986 (as added by this section).

1       (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2002.

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