

109TH CONGRESS  
1ST SESSION

# H. R. 3075

To amend the Internal Revenue Code of 1986 to make health care coverage more accessible and affordable.

---

## IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2005

Mr. PAUL 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 make health care coverage more accessible and affordable.

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 “Comprehensive Health  
5 Care Reform Act of 2005”.

6 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH CARE COSTS.**

7 (a) IN GENERAL.—Section 35 of the Internal Rev-  
8 enue Code of 1986 (relating to health insurance costs of  
9 eligible individuals) is amended to read as follows:

1 **“SEC. 35. HEALTH INSURANCE COSTS.**

2 “(a) IN GENERAL.—In the case of an individual,  
3 there shall be allowed as a credit against the tax imposed  
4 by subtitle A an amount equal to the amount paid by the  
5 taxpayer for insurance which constitutes medical care for  
6 the taxpayer and the taxpayer’s spouse and dependents.

7 “(b) LIMITATION.—The credit allowed by subsection  
8 (a) for the taxable year shall not exceed the sum of—

9 “(1) the taxpayer’s net income tax for the tax-  
10 able year, plus

11 “(2) the taxpayer’s social security taxes (as de-  
12 fined in section 24(d)) for such taxable year.

13 For purposes of paragraph (1), the term ‘net income tax’  
14 means the sum of the regular tax liability plus the tax  
15 imposed by section 55, reduced by the credits allowable  
16 under this part (other than this subpart).

17 “(c) DENIAL OF DOUBLE BENEFIT.—Any amount  
18 allowed as a credit under this section shall not be taken  
19 into account in determining the amount of any deduction  
20 under this chapter.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 162 of such Code is amended by  
23 striking subsection (l).

24 (2) Chapter 77 of such Code is amended by  
25 striking section 7527 and by striking the item relat-

1 ing to section 7527 in the table of sections for such  
2 chapter.

3 (3) Subpart B of part III of subchapter A of  
4 chapter 61 of such Code is amended by striking sec-  
5 tion 6050T and by striking the item relating to sec-  
6 tion 6050T in the table of sections for such chapter.

7 (4) Section 6103(l) of such Code is amended by  
8 striking paragraph (18).

9 (5) Section 6103(p) of such Code is amended—

10 (A) in paragraph (3)(A) by striking “(17),  
11 or (18)” and inserting “or (17)”, and

12 (B) in paragraph (4) by striking “or (17)”  
13 after “any other person described in subsection  
14 (l)(16)” each place it appears.

15 (6) Section 7213A(a)(1)(B) of such Code is  
16 amended by striking “subsection (l)(18) or (n) of  
17 section 6103” and inserting “section 6103(n)”.

18 (7) Section 6724(d)(1)(B) of such Code is  
19 amended by striking clause (xi).

20 (8) Section 6724(d)(2) of such Code is amend-  
21 ed by striking subparagraph (BB).

22 (9) The item relating to section 35 in the table  
23 of sections for subpart C of part IV of subchapter  
24 A of chapter 1 of such Code is amended to read as  
25 follows:

“Sec. 35 Health insurance costs.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2005.

4 **SEC. 3. DISPOSITION OF UNUSED HEALTH BENEFITS IN**  
5 **CAFETERIA PLANS AND FLEXIBLE SPENDING**  
6 **ARRANGEMENTS.**

7 (a) IN GENERAL.—Section 125 of the Internal Rev-  
8 enue Code of 1986 (relating to cafeteria plans) is amended  
9 by redesignating subsections (h) and (i) as subsections (i)  
10 and (j), respectively, and by inserting after subsection (g)  
11 the following:

12 “(h) CARRYFORWARDS OR PAYMENTS OF CERTAIN  
13 UNUSED HEALTH BENEFITS.—

14 “(1) IN GENERAL.—For purposes of this title,  
15 a plan or other arrangement shall not fail to be  
16 treated as a cafeteria plan solely because qualified  
17 benefits under such plan include a health flexible  
18 spending arrangement under which not more than  
19 \$500 of unused health benefits may be—

20 “(A) carried forward to the succeeding  
21 plan year of such health flexible spending ar-  
22 rangement, or

23 “(B) paid to or on behalf of an employee  
24 as compensation as of the end of such plan year

1 or upon the termination of, or failure to re-en-  
2 roll in, such plan or arrangement.

3 “(2) DISTRIBUTION OF UNUSED HEALTH BENE-  
4 FITS ON BEHALF OF EMPLOYEE.—For purposes of  
5 paragraph (1)(B), unused health benefits paid as  
6 compensation on behalf of an employee by the em-  
7 ployer shall be—

8 “(A) includible in gross income and wages  
9 of the employee, whether or not a deduction for  
10 such payment is allowable under this title to the  
11 employee, and

12 “(B) excludable from—

13 “(i) gross income to the extent pro-  
14 vided under section 402(e), 457(a) (with  
15 respect to contributions to an eligible de-  
16 ferred compensation plan (as defined in  
17 section 457(b)) of an eligible employer de-  
18 scribed in section 457(e)(1)(A)), or 220,  
19 and

20 “(ii) wages to the extent otherwise  
21 provided for amounts so excludable.

22 “(3) HEALTH FLEXIBLE SPENDING ARRANGE-  
23 MENT.—For purposes of this subsection, the term  
24 ‘health flexible spending arrangement’ means a flexi-  
25 ble spending arrangement (as defined in section

1 106(c)) that is a qualified benefit and only permits  
2 reimbursement for expenses for medical care (as de-  
3 fined in section 213(d)(1)) (without regard to sub-  
4 paragraphs (C) and (D) thereof).

5 “(4) UNUSED HEALTH BENEFITS.—For pur-  
6 poses of this subsection, the term ‘unused health  
7 benefits’ means the excess of—

8 “(A) the maximum amount of reimburse-  
9 ment allowable during a plan year under a  
10 health flexible spending arrangement, over

11 “(B) the actual amount of reimbursement  
12 during such year under such arrangement.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 subsection (a) shall apply to taxable years beginning after  
15 December 31, 2005.

16 **SEC. 4. STRENGTHENING HEALTH SAVINGS ACCOUNTS.**

17 (a) REPEAL OF REQUIREMENT FOR COVERAGE  
18 UNDER HIGH DEDUCTIBLE HEALTH PLAN.—

19 (1) IN GENERAL.—Section 223 of the Internal  
20 Revenue Code of 1986 (relating to health savings ac-  
21 counts) is amended by striking subsections (a), (b),  
22 and (c) and inserting the following:

23 “(a) DEDUCTION ALLOWED.—In the case of an indi-  
24 vidual, there shall be allowed as a deduction for the tax-  
25 able year an amount equal to the aggregate amount paid

1 in cash during such taxable year by or on behalf of such  
2 individual to a health savings account of such individual.

3 “(b) LIMITATIONS.—

4 “(1) IN GENERAL.—The amount allowable as a  
5 deduction to a taxpayer under subsection (a) for the  
6 taxable year shall not exceed \$8,000 (\$16,000 in the  
7 case of a joint return).

8 “(2) COORDINATION WITH OTHER CONTRIBU-  
9 TIONS.—The limitation which would (but for this  
10 paragraph) apply under this subsection to a tax-  
11 payer for any taxable year shall be reduced (but not  
12 below zero) by the sum of—

13 “(A) the aggregate amount paid for such  
14 taxable year to Archer MSAs of the taxpayer,  
15 and

16 “(B) the aggregate amount contributed to  
17 health savings accounts of the taxpayer which is  
18 excludable from the taxpayer’s gross income for  
19 such taxable year under section 106(d) (and  
20 such amount shall not be allowed as a deduc-  
21 tion under subsection (a)).

22 “(3) DENIAL OF DEDUCTION TO DEPEND-  
23 ENTS.—No deduction shall be allowed under this  
24 section to any individual with respect to whom a de-  
25 duction under section 151 is allowable to another

1 taxpayer for a taxable year beginning in the cal-  
2 endar year in which such individual's taxable year  
3 begins.”.

4 (2) CONFORMING AMENDMENTS.—

5 (A) Section 223 of such Code is amended  
6 by redesignating subsections (d), (e), (f), (g),  
7 and (h) as subsections (c), (d), (e), (f), and (g),  
8 respectively.

9 (B) Section 223(f) of such Code (as reded-  
10 igned by subparagraph (A)) is amended to  
11 read as follows:

12 “(f) COST-OF-LIVING ADJUSTMENT.—

13 “(1) IN GENERAL.—In the case of any taxable  
14 year beginning in a calendar year after 2006, each  
15 dollar amount in subsection (b)(1) shall be increased  
16 by an amount equal to—

17 “(A) such dollar amount, multiplied by

18 “(B) the cost-of-living adjustment deter-  
19 mined under section 1(f)(3) for the calendar  
20 year in which such taxable year begins, deter-  
21 mined by substituting ‘calendar year 2006’ for  
22 ‘calendar year 1992’ in subparagraph (B)  
23 thereof.

1           “(2) ROUNDING.—If any increase under para-  
2 graph (1) is not a multiple of \$50, such increase  
3 shall be rounded to the nearest multiple of \$50.”.

4           (C) Section 26(b)(2)(S) of such Code is  
5 amended by striking “section 223(f)(4)” and  
6 inserting “section 223(e)(4)”.

7           (D) Each of the following sections of such  
8 Code is amended by striking “section 223(d)”  
9 and inserting “section 223(c)”:

10           (i) Section 35(g)(3).

11           (ii) Section 106(d)(1).

12           (iii) Section 220(f)(5)(A).

13           (iv) Section 848(e)(1)(B)(v).

14           (v) Section 4973(a)(5).

15           (vi) Section 4973(g).

16           (vii) Section 4975(c)(6).

17           (viii) Section 4975(e)(1)(E).

18           (ix) Section 6051(a)(12).

19           (E) Section 4973(g) of such Code is  
20 amended—

21           (i) in paragraph (1) by striking “sec-  
22 tion 223(f)(5)” and inserting “section  
23 223(e)(5)”;

1 (ii) in paragraph (2)(A) by striking  
2 “section 223(f)(2)” and inserting “section  
3 223(e)(2)”, and

4 (iii) in the matter following paragraph  
5 (2) by striking “section 223(f)(3)” and in-  
6 serting “section 223(e)(3)”.

7 (F) Section 4975(c)(6) of such Code is  
8 amended by striking “section 223(e)(2)” and  
9 inserting “section 223(d)(2)”.

10 (G) Section 6693(a)(2)(C) of such Code is  
11 amended by striking “section 223(h)” and in-  
12 serting “section 223(g)”.

13 (b) DEDUCTION ALLOWED FOR PREMIUM PAYMENTS  
14 FOR HIGH DEDUCTIBLE POLICIES.—Section 223(c)(2)(C)  
15 of such Code (as amended by subsection (a)) is amended  
16 by striking “or” at the end of clause (iii), by striking the  
17 period at the end of clause (iv) and inserting “, or”, and  
18 by inserting after clause (iv) the following new clause:

19 “(v) a high deductible health plan.”.

20 (c) PURCHASE OF MEDIGAP POLICIES PER-  
21 MITTED.—Clause (iv) of section 223(c)(2)(C) of such  
22 Code (as amended by this section) is amended by striking  
23 “other than” and inserting “, including”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2005.

4 **SEC. 5. REPEAL OF 7.5 PERCENT THRESHOLD ON DEDUC-**  
5 **TION FOR MEDICAL EXPENSES.**

6 (a) IN GENERAL.—Subsection (a) of section 213 of  
7 the Internal Revenue Code of 1986 (relating to deduction  
8 for medical expenses) is amended by striking “to the ex-  
9 tent that such expenses exceed 7.5 percent of adjusted  
10 gross income”.

11 (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall apply to taxable years beginning after  
13 December 31, 2005.

○