

110TH CONGRESS  
2D SESSION

# H. R. 7010

To amend the Internal Revenue Code of 1986 to provide a refundable, advanceable tax credit for health insurance costs of individuals with COBRA continuation coverage by reason of termination of employment.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 23, 2008

Ms. BEAN (for herself, Ms. SHEA-PORTER, Mr. ISRAEL, Mrs. BOYDA of Kansas, Mr. WEINER, Mr. RYAN of Ohio, Mr. RODRIGUEZ, and Mr. CARSON) 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 provide a refundable, advanceable tax credit for health insurance costs of individuals with COBRA continuation coverage by reason of termination of employment.

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 “Health Insurance Sta-  
5 bility Act of 2008”.

1 **SEC. 2. REFUNDABLE TAX CREDIT FOR HEALTH INSUR-**  
2 **ANCE COSTS OF INDIVIDUALS WITH COBRA**  
3 **CONTINUATION COVERAGE BY REASON OF**  
4 **TERMINATION OF EMPLOYMENT.**

5 (a) IN GENERAL.—Subpart C of subchapter A of  
6 chapter 1 of the Internal Revenue Code of 1986 (relating  
7 to refundable credits) is amended by inserting after sec-  
8 tion 36 the following new section:

9 **“SEC. 36A. HEALTH INSURANCE COSTS OF INDIVIDUALS**  
10 **WITH COBRA CONTINUATION COVERAGE BY**  
11 **REASON OF TERMINATION OF EMPLOYMENT.**

12 “(a) IN GENERAL.—In the case of an individual,  
13 there shall be allowed as a credit against the tax imposed  
14 by this subtitle the aggregate amount paid by the taxpayer  
15 for coverage of the taxpayer and the taxpayer’s qualifying  
16 family members under qualified COBRA continuation cov-  
17 erage for eligible coverage months beginning in the taxable  
18 year.

19 “(b) LIMITATIONS.—

20 “(1) IN GENERAL.—The amount allowable as a  
21 credit under subsection (a) for the taxable year shall  
22 not exceed the sum of the monthly limitations for  
23 months during such taxable year that the taxpayer  
24 is an eligible individual.

1           “(2) MONTHLY LIMITATION.—The monthly lim-  
2           itation for any month is the credit percentage of  $\frac{1}{12}$   
3           of \$1,000 (\$2,000 in the case of a joint return).

4           “(3) INFLATION ADJUSTMENT.—In the case of  
5           any taxable year beginning in a calendar year after  
6           2009, each dollar amount contained in paragraph  
7           (2) shall be increased by an amount equal to—

8                   “(A) such dollar amount, multiplied by

9                   “(B) the cost-of-living adjustment deter-  
10                  mined under section 1(f)(3) for the calendar  
11                  year in which the taxable year begins, deter-  
12                  mined by substituting ‘calendar year 2008’ for  
13                  ‘calendar year 1992’ in subparagraph (B)  
14                  thereof.

15           Any increase determined under the preceding sen-  
16           tence shall be rounded to the nearest multiple of  
17           \$50.

18           “(c) ELIGIBLE COVERAGE MONTH.—For purposes of  
19           this section—

20                   “(1) IN GENERAL.—The term ‘eligible coverage  
21                  month’ means, with respect to any individual, any  
22                  month if, as of the first day of such month, the indi-  
23                  vidual—

24                           “(A) is covered by qualified health insur-  
25                           ance,

1           “(B) does not have disqualifying coverage,  
2           and

3           “(C) is not imprisoned under Federal,  
4           State, or local authority.

5           “(2) 12 MONTH OF COVERAGE DURING ANY 14  
6           MONTH PERIOD.—A month shall not be treated as  
7           an eligible coverage month with respect to an indi-  
8           vidual if, during the 24-month period ending with  
9           the last day of such month, the individual was an el-  
10          igible individual for 12 months in such period.

11          “(d) QUALIFYING FAMILY MEMBER.—For purposes  
12 of this section, the term ‘qualifying family member’  
13 means—

14           “(1) in the case of a joint return, the taxpayer’s  
15          spouse, and

16           “(2) any dependent of the taxpayer.

17          “(e) QUALIFIED COBRA CONTINUATION COV-  
18 ERAGE.—

19           “(1) IN GENERAL.—For purposes of this sec-  
20          tion, the term ‘qualified COBRA continuation cov-  
21          erage’ means any insurance which is continuation  
22          coverage under paragraph (2) of section 4980B(f)  
23          by reason of the qualifying event specified in para-  
24          graph (3)(B) of such section (relating to termination  
25          or reduction of hours of employment).

1           “(2) EXCEPTION.—Such term does not in-  
2       clude—

3           “(A) a flexible spending or similar ar-  
4       rangement, and

5           “(B) insurance substantially all of the cov-  
6       erage of which is of excepted benefits described  
7       in section 9832(c).

8           “(f) DISQUALIFYING COVERAGE.—For purposes of  
9       this section, an individual has disqualifying coverage for  
10      any month if, as of the first day of such month—

11          “(1) EMPLOYER-PROVIDED COVERAGE.—Such  
12      individual is covered under any insurance which con-  
13      stitutes medical care under any health plan main-  
14      tained by any employer (or former employer) of the  
15      taxpayer or the taxpayer’s spouse if any portion of  
16      the cost of such coverage (as so determined) is paid  
17      or incurred by an employer (or former employer) of  
18      the taxpayer or the taxpayer’s spouse other than—

19          “(A) coverage described in subsection  
20      (e)(1), and

21          “(B) insurance substantially all of the cov-  
22      erage of which is of excepted benefits described  
23      in section 9832(c)).

24          “(2) CERTAIN STATE-BASED AND GROUP COV-  
25      ERAGE.—Such individual has coverage described in

1 any of subparagraphs (B) through (J) of section  
2 35(e)(1).

3 “(3) COVERAGE UNDER MEDICARE, MEDICAID,  
4 OR SCHIP.—Such individual—

5 “(A) is entitled to benefits under part A of  
6 title XVIII of the Social Security Act or is en-  
7 rolled under part B of such title, or

8 “(B) is enrolled in the program under title  
9 XIX or XXI of such Act (other than under sec-  
10 tion 1928 of such Act).

11 “(4) CERTAIN OTHER COVERAGE.—Such indi-  
12 vidual—

13 “(A) is enrolled in a health benefits plan  
14 under chapter 89 of title 5, United States Code,  
15 or

16 “(B) is entitled to receive benefits under  
17 chapter 55 of title 10, United States Code.

18 “(g) SPECIAL RULES.—

19 “(1) COORDINATION WITH ADVANCE PAYMENTS  
20 OF CREDIT; RECAPTURE OF EXCESS ADVANCE PAY-  
21 MENTS.—With respect to any taxable year—

22 “(A) the amount which would (but for this  
23 subsection) be allowed as a credit to the tax-  
24 payer under subsection (a) shall be reduced  
25 (but not below zero) by the aggregate amount

1           paid on behalf of such taxpayer under section  
2           7529 for months beginning in such taxable  
3           year, and

4           “(B) the tax imposed by section 1 for such  
5           taxable year shall be increased by the excess (if  
6           any) of—

7                   “(i) the aggregate amount paid on be-  
8                   half of such taxpayer under section 7529  
9                   for months beginning in such taxable year,  
10                  over

11                  “(ii) the amount which would (but for  
12                  this subsection) be allowed as a credit to  
13                  the taxpayer under subsection (a).

14           “(2) COORDINATION WITH OTHER DEDUC-  
15           TIONS.—Amounts taken into account under sub-  
16           section (a) shall not be taken into account in deter-  
17           mining—

18                   “(A) any deduction allowed under section  
19                   162(l), 213, or 224, or

20                   “(B) any credit allowed under section 35.

21           “(3) MEDICAL AND HEALTH SAVINGS AC-  
22           COUNTS.—Amounts distributed from an Archer  
23           MSA (as defined in section 220(d)) or from a health  
24           savings account (as defined in section 223(d)) shall  
25           not be taken into account under subsection (a).

1           “(4) DENIAL OF CREDIT TO DEPENDENTS AND  
2           NONPERMANENT RESIDENT ALIEN INDIVIDUALS.—  
3           No credit shall be allowed under this section to any  
4           individual who is—

5                   “(A) not a citizen or lawful permanent  
6                   resident of the United States for the calendar  
7                   year in which the taxable year begins, or

8                   “(B) a dependent with respect to another  
9                   taxpayer for a taxable year beginning in the  
10                  calendar year in which such individual’s taxable  
11                  year begins.

12           “(5) MARRIED INDIVIDUALS.—In the case of an  
13           individual who is married (within the meaning of  
14           section 7703), this section shall apply only if a joint  
15           return is filed for the taxable year under section  
16           6013.

17           “(6) INSURANCE WHICH COVERS OTHER INDI-  
18           VIDUALS.—For purposes of this section, rules simi-  
19           lar to the rules of section 213(d)(6) shall apply with  
20           respect to any contract for qualified health insurance  
21           under which amounts are payable for coverage of an  
22           individual other than the taxpayer and qualifying  
23           family members.

24           “(7) TREATMENT OF PAYMENTS.—For pur-  
25           poses of this section—

1           “(A) PAYMENTS BY SECRETARY.—Pay-  
2           ments made by the Secretary on behalf of any  
3           individual under section 7529 (relating to ad-  
4           vance payment of credit for health insurance  
5           costs of individuals with COBRA continuation  
6           coverage by reason of termination of employ-  
7           ment) shall be treated as having been made by  
8           the taxpayer on the first day of the month for  
9           which such payment was made.

10           “(B) PAYMENTS BY TAXPAYER.—Pay-  
11           ments made by the taxpayer for eligible cov-  
12           erage months shall be treated as having been  
13           made by the taxpayer on the first day of the  
14           month for which such payment was made.

15           “(8) REGULATIONS.—The Secretary may pre-  
16           scribe such regulations and other guidance as may  
17           be necessary or appropriate to carry out this section,  
18           section 6050W, and section 7529.”.

19           (b) CONFORMING AMENDMENTS.—

20           (1) Paragraph (2) of section 1324(b) of title  
21           31, United States Code, is amended by inserting  
22           “36A,” after “36,”.

23           (2) The table of sections for subpart C of part  
24           IV of subchapter A of chapter 1 of the Internal Rev-

1        enue Code of 1986 is amended by inserting after the  
2        item relating to section 36 the following new item:

      “Sec. 36A. Health insurance costs of individuals with COBRA continuation  
          coverage by reason of termination of employment.”.

3        (c) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2008.

6 **SEC. 3. ADVANCE PAYMENT OF CREDIT FOR HEALTH IN-**  
7                    **SURANCE COSTS OF INDIVIDUALS WITH**  
8                    **COBRA CONTINUATION COVERAGE BY REA-**  
9                    **SON OF TERMINATION OF EMPLOYMENT.**

10        (a) IN GENERAL.—Chapter 77 of the Internal Rev-  
11 enue Code of 1986 (relating to miscellaneous provisions)  
12 is amended by adding at the end the following:

13 **“SEC. 7529. ADVANCE PAYMENT OF CREDIT FOR HEALTH**  
14                    **INSURANCE COSTS OF INDIVIDUALS WITH**  
15                    **COBRA CONTINUATION COVERAGE BY REA-**  
16                    **SON OF TERMINATION OF EMPLOYMENT.**

17        “Not later than January 1, 2009, the Secretary shall  
18 establish a program for making payments to providers of  
19 qualified health insurance (as defined in section 36A(e))  
20 on behalf of taxpayers eligible for the credit under section  
21 36A.”.

22        (b) INFORMATION REPORTING.—

23                (1) IN GENERAL.—Subpart B of part III of  
24        subchapter A of chapter 61 of such Code (relating

1 to information concerning transactions with other  
2 persons) is amended by adding at the end the fol-  
3 lowing new section:

4 **“SEC. 6050W. RETURNS RELATING TO CREDIT FOR HEALTH**  
5 **INSURANCE COSTS OF INDIVIDUALS WITH**  
6 **COBRA CONTINUATION COVERAGE BY REA-**  
7 **SON OF TERMINATION OF EMPLOYMENT.**

8 “(a) REQUIREMENT OF REPORTING.—Every person  
9 who is entitled to receive payments for any month of any  
10 calendar year under section 7529 (relating to advance pay-  
11 ment of credit for health insurance costs of individuals  
12 with COBRA continuation coverage by reason of termi-  
13 nation of employment) with respect to any individual shall,  
14 at such time as the Secretary may prescribe, make the  
15 return described in subsection (b) with respect to each  
16 such individual.

17 “(b) FORM AND MANNER OF RETURNS.—A return  
18 is described in this subsection if such return—

19 “(1) is in such form as the Secretary may pre-  
20 scribe, and

21 “(2) contains—

22 “(A) the name, address, and TIN of each  
23 individual referred to in subsection (a),

1           “(B) the number of months such person  
2 provided COBRA continuation coverage by rea-  
3 son of termination of employment,

4           “(C) the number of months for which  
5 amounts were received with respect to such in-  
6 dividual under section 7529 (relating to ad-  
7 vance payment of credit for health insurance  
8 costs of individuals with COBRA continuation  
9 coverage by reason of termination of employ-  
10 ment),

11           “(D) the amount entitled to be received for  
12 each such month, and

13           “(E) such other information as the Sec-  
14 retary may prescribe.

15           “(c) STATEMENTS TO BE FURNISHED TO INDIVID-  
16 UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
17 QUIRED.—Every person required to make a return under  
18 subsection (a) shall furnish to each individual whose name  
19 is required to be set forth in such return a written state-  
20 ment showing—

21           “(1) the name and address of the person re-  
22 quired to make such return and the phone number  
23 of the information contact for such person, and

24           “(2) the information required to be shown on  
25 the return with respect to such individual.

1 The written statement required under the preceding sen-  
2 tence shall be furnished on or before January 31 of the  
3 year following the calendar year for which the return  
4 under subsection (a) is required to be made.”.

5 (2) ASSESSABLE PENALTIES.—

6 (A) Subparagraph (B) of section  
7 6724(d)(1) of such Code (relating to defini-  
8 tions) is amended by striking “or” at the end  
9 of clause (xxi), by striking “and” at the end of  
10 clause (xxii) and inserting “or”, and by insert-  
11 ing after clause (xxii) the following new clause:

12 “(xxiii) section 6050W (relating to re-  
13 turns relating to credit for health insur-  
14 ance costs of individuals with COBRA con-  
15 tinuation coverage by reason of termi-  
16 nation of employment), and”.

17 (B) Paragraph (2) of section 6724(d) of  
18 such Code is amended by striking the period at  
19 the end of subparagraph (CC) and inserting a  
20 comma, by striking the period at the end of  
21 subparagraph (DD) and inserting “, or”, and  
22 by adding after subparagraph (DD) the fol-  
23 lowing new subparagraph:

24 “(EE) section 6050W (relating to returns  
25 relating to credit for health insurance costs of

1 individuals with COBRA continuation coverage  
2 by reason of termination of employment).”.

3 (c) CLERICAL AMENDMENTS.—

4 (1) The table of sections for chapter 77 of such  
5 Code is amended by adding at the end the following  
6 new item:

“Sec. 7529. Advance payment of credit for health insurance costs of individuals  
with COBRA continuation coverage by reason of termination of  
employment.”.

7 (2) The table of sections for subpart B of part  
8 III of subchapter A of chapter 61 of such Code is  
9 amended by adding at the end the following new  
10 item:

“Sec. 6050W. Returns relating to credit for health insurance costs of individ-  
uals with COBRA continuation coverage by reason of termi-  
nation of employment.”.

11 (d) EFFECTIVE DATE.—The amendments made by  
12 this section shall take effect on the date of the enactment  
13 of this Act.

○