

109TH CONGRESS
2^D SESSION

H. R. 5843

To amend the COBRA continuation Act provisions to extend COBRA continuation coverage from 18 months to 36 months, to provide a tax credit for the cost of such coverage, and to reduce the income tax rate reduction for families with incomes of more than a million dollars.

IN THE HOUSE OF REPRESENTATIVES

JULY 19, 2006

Mr. RYAN of Ohio (for himself and Mr. STRICKLAND) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce, Energy and Commerce, and Government Reform, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the COBRA continuation Act provisions to extend COBRA continuation coverage from 18 months to 36 months, to provide a tax credit for the cost of such coverage, and to reduce the income tax rate reduction for families with incomes of more than a million dollars.

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 “COBRA Enhancement
5 and Healthcare Relief Act of 2006”.

1 **SEC. 2. EXTENSION OF COBRA CONTINUATION COVERAGE.**

2 (a) UNDER ERISA.—Section 602(2)(A) of the Em-
3 ployee Retirement Income Security Act of 1974 (29
4 U.S.C. 1162(2)(A)) is amended—

5 (1) by amending clause (i) to read as follows:

6 “(i) GENERAL RULE.—In the case of
7 a qualifying event not described in section
8 603(6), the date that is 36 months after
9 the date of the qualifying event.”;

10 (2) by striking clauses (ii), (iv), and (v) and by
11 striking the sentence beginning “In the case of a
12 qualified beneficiary”; and

13 (3) by redesignating clause (iii) as clause (ii).

14 (b) UNDER PHSA.—Section 2202(2)(A) of the Pub-
15 lic Health Service Act (42 U.S.C. 300bb–2(2)(A)) is
16 amended to read as follows:

17 “(A) MAXIMUM REQUIRED PERIOD.—The
18 date that is 36 months after the date of the
19 qualifying event.”.

20 (c) UNDER IRC.—Section 4980B(f)(2)(B)(i) of the
21 Internal Revenue Code of 1986 is amended—

22 (1) by amending subclause (I) to read as fol-
23 lows:

24 “(I) GENERAL RULE.—In the
25 case of a qualifying event not de-
26 scribed in paragraph (3)(F), the date

1 36 as section 37 and by inserting after section 35 the fol-
2 lowing new section:

3 **“SEC. 36. COBRA CONTINUATION COVERAGE.**

4 “(a) IN GENERAL.—In the case of an individual,
5 there shall be allowed as a credit against the tax imposed
6 by subtitle A an amount equal to the amount paid by the
7 taxpayer for coverage of the taxpayer and qualifying fam-
8 ily members under COBRA continuation coverage for
9 months beginning in the taxable year.

10 “(b) LIMITATIONS.—

11 “(1) IN GENERAL.—The amount allowable as a
12 credit under subsection (a) for the taxable year shall
13 not exceed the sum of the monthly limitations for
14 months during such taxable year.

15 “(2) MONTHLY LIMITATION.—The monthly lim-
16 itation for any month is the product of the credit
17 percentage for such month multiplied by the
18 amounts paid by the taxpayer for such month which
19 may be taken into account under subsection (a).

20 “(3) CREDIT PERCENTAGE.—The credit per-
21 centage for any month in any period of COBRA con-
22 tinuation coverage is—

23 “(A) 100 percent, in the case of the first
24 12 months of such period,

1 “(B) 50 percent, in the case of the first 12
2 months after the months to which subpara-
3 graph (A) applies, and

4 “(C) zero, in the case of any month there-
5 after.

6 “(c) QUALIFYING FAMILY MEMBER.—For purposes
7 of this section, the term ‘qualifying family member’ means
8 the taxpayer’s spouse and any dependent of the taxpayer.

9 “(d) COBRA CONTINUATION COVERAGE.—For pur-
10 poses of this section, the term ‘COBRA continuation cov-
11 erage’ means coverage under a COBRA continuation pro-
12 vision (as defined in section 9832(d)(1)).

13 “(e) OTHER SPECIFIED COVERAGE.—Amounts paid
14 for COBRA continuation coverage of any individual for
15 any month shall not be taken into account under sub-
16 section (a) if such individual has other specified coverage
17 for such month (within the meaning of section 35(f)).

18 “(f) SPECIAL RULES.—

19 “(1) COORDINATION WITH ADVANCE PAYMENTS
20 OF CREDIT.—With respect to any taxable year, the
21 amount which would (but for this subsection) be al-
22 lowed as a credit to the taxpayer under subsection
23 (a) shall be reduced (but not below zero) by the ag-
24 gregate amount paid on behalf of such taxpayer

1 under section 7529 for months beginning in such
2 taxable year.

3 “(2) COORDINATION WITH OTHER DEDUC-
4 TIONS.—Amounts taken into account under sub-
5 section (a) shall not be taken into account in deter-
6 mining any deduction allowed under section 162(l)
7 or 213.

8 “(3) COORDINATION WITH OTHER HEALTH IN-
9 SURANCE COSTS CREDIT.—Amounts taken into ac-
10 count under subsection (a) with respect to coverage
11 for any month shall not be taken into account in de-
12 termining the credit allowed under section 35. Any
13 taxpayer who would (but for the preceding sentence)
14 be allowed a credit under section 35 may elect not
15 to have this section apply with respect to amounts
16 paid for coverage for any month during the taxable
17 year.

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

23 “(5) DENIAL OF CREDIT TO DEPENDENTS.—No
24 credit shall be allowed under this section to any indi-
25 vidual with respect to whom a deduction under sec-

1 tion 151 is allowable to another taxpayer for a tax-
2 able year beginning in the calendar year in which
3 such individual's taxable year begins.

4 “(6) SEPARATE RETURNS.—The spouse of the
5 taxpayer shall not be treated as a qualifying family
6 member for purposes of this section if the taxpayer
7 files a separate return for the taxable year.

8 “(7) INSURANCE WHICH COVERS OTHER INDI-
9 VIDUALS .—For purposes of this section, rules simi-
10 lar to the rules of section 213(d)(6) shall apply with
11 respect to any contract for COBRA continuation
12 coverage under which amounts are payable for cov-
13 erage of an individual other than the taxpayer and
14 qualifying family members.

15 “(8) TREATMENT OF PAYMENTS.—For pur-
16 poses of this section—

17 “(A) PAYMENTS BY SECRETARY.—Pay-
18 ments made by the Secretary on behalf of any
19 individual under section 7529 (relating to ad-
20 vance payment of credit for cost of COBRA
21 continuation coverage) shall be treated as hav-
22 ing been made by the taxpayer on the first day
23 of the month for which such payment was
24 made.

1 “(B) PAYMENTS BY TAXPAYER.—Pay-
2 ments made by the taxpayer for coverage
3 months shall be treated as having been made by
4 the taxpayer on the first day of the month for
5 which such payment was made.

6 “(9) REGULATIONS.—The Secretary may pre-
7 scribe such regulations and other guidance as may
8 be necessary or appropriate to carry out this section,
9 section 6050U, and section 7529.”.

10 (b) ADVANCE PAYMENT OF CREDIT AS PREMIUM
11 PAYMENT FOR COBRA CONTINUATION COVERAGE.—
12 Chapter 77 of the Internal Revenue Code of 1986 (relat-
13 ing to miscellaneous provisions) is amended by adding at
14 the end the following:

15 **“SEC. 7529. ADVANCE PAYMENT OF CREDIT AS PREMIUM**
16 **PAYMENT FOR COBRA CONTINUATION COV-**
17 **ERAGE.**

18 “(a) IN GENERAL.—Not later than 90 days after the
19 date of the enactment of this Act, the Secretary shall es-
20 tablish a program for making payments to providers of
21 COBRA continuation coverage (as defined in section
22 36(d)) on behalf of taxpayers eligible for the credit under
23 section 36.

24 “(b) LIMITATIONS.—

1 “(1) TERMINATION AFTER FIRST 12 MONTHS
2 OF COVERAGE.—The Secretary shall not make any
3 payment under subsection (a) with respect to any in-
4 dividual for COBRA continuation coverage of such
5 individual for any month after the first 12 months
6 of any period of COBRA continuation coverage.

7 “(2) DOLLAR LIMITATION.—The Secretary may
8 make payments under subsection (a) only to the ex-
9 tent that the such payment does not exceed 100 per-
10 cent of the amount paid by the taxpayer for cov-
11 erage of the taxpayer and qualifying family members
12 under COBRA continuation coverage for the months
13 to which such payment relates.”.

14 (c) DISCLOSURE OF RETURN INFORMATION FOR
15 PURPOSES OF CARRYING OUT ADVANCE PAYMENT PRO-
16 GRAM.—

17 (1) IN GENERAL.—Subsection (l) of section
18 6103 of such Code is amended by adding at the end
19 the following new paragraph:

20 “(21) DISCLOSURE OF RETURN INFORMATION
21 FOR PURPOSES OF ADVANCE PAYMENT OF CREDIT
22 AS PREMIUM PAYMENT FOR COBRA CONTINUATION
23 COVERAGE.—The Secretary may, on behalf of tax-
24 payers eligible for the credit under section 36, dis-
25 close to a provider of COBRA continuation coverage

1 (as defined in section 36(d)), and persons acting on
2 behalf of such provider, return information with re-
3 spect to any such taxpayer only to the extent nec-
4 essary (as prescribed by regulations issued by the
5 Secretary) to carry out the program established by
6 section 7529 (relating to advance payment of credit
7 as premium payment for COBRA continuation cov-
8 erage).”.

9 (2) CONFIDENTIALITY OF INFORMATION.—
10 Paragraph (3) of section 6103(a) of such Code is
11 amended by striking “or (20)” and inserting “(20),
12 or (21)”.

13 (3) UNAUTHORIZED DISCLOSURE.—Paragraph
14 (2) of section 7213(a) of such Code is amended by
15 striking “or (20)” and inserting “(20), or (21)”.

16 (d) INFORMATION REPORTING.—

17 (1) IN GENERAL.—Subpart B of part III of
18 subchapter A of chapter 61 of such Code (relating
19 to information concerning transactions with other
20 persons) is amended by inserting after section
21 6050T the following new section:

22 **“SEC. 6050U. RETURNS RELATING TO CREDIT FOR COBRA**
23 **CONTINUATION COVERAGE.**

24 “(a) REQUIREMENT OF REPORTING.—Every person
25 who is entitled to receive payments for any month of any

1 calendar year under section 7529 (relating to advance pay-
2 ment of credit as premium payment for COBRA continu-
3 ation coverage) with respect to any individual shall, at
4 such time as the Secretary may prescribe, make the return
5 described in subsection (b) with respect to each such indi-
6 vidual.

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

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

11 “(2) contains—

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

14 “(B) the number of months for which
15 amounts were entitled to be received with re-
16 spect to such individual under section 7529 (re-
17 lating to advance payment of credit as premium
18 payment for COBRA continuation coverage),

19 “(C) the amount entitled to be received for
20 each such month, and

21 “(D) such other information as the Sec-
22 retary may prescribe.

23 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-
24 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
25 QUIRED.—Every person required to make a return under

1 subsection (a) shall furnish to each individual whose name
2 is required to be set forth in such return a written state-
3 ment showing—

4 “(1) the name and address of the person re-
5 quired to make such return and the phone number
6 of the information contact for such person, and

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

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

13 (2) ASSESSABLE PENALTIES.—

14 (A) Subparagraph (B) of section
15 6724(d)(1) of such Code (relating to defini-
16 tions) is amended by redesignating clauses (xiii)
17 through (xviii) as clauses (xiv) through (xix),
18 respectively, and by inserting after clause (xii)
19 the following new clause:

20 “(xiii) section 6050U (relating to re-
21 turns relating to credit for COBRA con-
22 tinuation coverage),”.

23 (B) Paragraph (2) of section 6724(d) of
24 such Code is amended by striking “or” at the
25 end of subparagraph (AA), by striking the pe-

1 riod at the end of subparagraph (BB) and in-
2 serting “, or”, and by adding after subpara-
3 graph (BB) the following new subparagraph:

4 “(CC) section 6050U (relating to returns
5 relating to credit for COBRA continuation cov-
6 erage).”.

7 (e) CONFORMING AMENDMENTS.—

8 (1) Paragraph (2) of section 1324(b) of title
9 31, United States Code, is amended by inserting “or
10 section 36” after “section 35”.

11 (2) The table of sections for subpart C of part
12 IV of subchapter A of chapter 1 of the Internal Rev-
13 enue Code of 1986 is amended by redesignating the
14 item relating to section 36 as an item relating to
15 section 37 and by inserting after the item relating
16 to section 35 the following new item:

 “Sec. 36. COBRA continuation coverage.”.

17 (3) The table of sections for subpart B of part
18 III of subchapter A of chapter 61 of such Code is
19 amended by adding at the end the following new
20 item:

 “Sec. 6050U. Returns relating to credit for COBRA continuation coverage.”.

21 (4) The table of sections for chapter 77 of such
22 Code is amended by adding at the end the following
23 new item:

“Sec. 7529. Advance payment of credit as premium payment for COBRA continuation coverage.”.

1 (f) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to amounts paid for coverage
 3 months beginning after the date of the enactment of this
 4 Act, in taxable years ending after such date.

5 **SEC. 4. REDUCTION IN BENEFIT OF RATE REDUCTION FOR**
 6 **FAMILIES WITH INCOMES OVER \$1,000,000.**

7 (a) GENERAL RULE.—Section 1 of the Internal Rev-
 8 enue Code of 1986 is amended by adding at the end the
 9 following new subsection:

10 “(j) REDUCTION IN BENEFIT OF RATE REDUCTION
 11 FOR FAMILIES WITH INCOMES OVER \$1,000,000.—

12 “(1) IN GENERAL.—If the adjusted gross in-
 13 come of a taxpayer exceeds the threshold amount,
 14 the tax imposed by this section (determined without
 15 regard to this subsection) shall be increased by an
 16 amount equal to the applicable percentage of so
 17 much of the adjusted gross income as exceeds the
 18 threshold amount.

19 “(2) THRESHOLD AMOUNTS.—For purposes of
 20 this subsection, the term ‘threshold amount’
 21 means—

22 “(A) \$1,000,000 in the case of a joint re-
 23 turn, and

1 “(B) \$500,000 in the case of any other re-
2 turn.

3 “(3) APPLICABLE PERCENTAGE.—For purposes
4 of this subsection, the term ‘applicable percentage’
5 means, with respect to any taxable year, such per-
6 centage as is estimated by the Secretary to result in
7 an increase in the revenues to the Treasury for such
8 taxable year which is equal to the decrease (if any)
9 in the revenues to the Treasury that the Secretary
10 estimates results from the application of sections 36
11 and 7529 for such taxable year.

12 “(4) TAX NOT TO APPLY TO ESTATES AND
13 TRUSTS.—This subsection shall not apply to an es-
14 tate or trust.

15 “(5) SPECIAL RULE.—For purposes of section
16 55, the amount of the regular tax shall be deter-
17 mined without regard to this subsection.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to taxable years beginning after
20 the date of the enactment of this Act.

21 (c) APPLICATION OF EGTRRA SUNSET.—The
22 amendment made by this section shall be subject to title
23 IX of the Economic Growth and Tax Relief Reconciliation
24 Act of 2001 to the same extent and in the same manner
25 as section 101 of such Act.

1 (d) SECTION 15 NOT TO APPLY.—The amendment
2 made by subsection (a) shall not be treated as a change
3 in a rate of tax for purposes of section 15 of the Internal
4 Revenue Code of 1986.

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