

107TH CONGRESS  
2D SESSION

# H. R. 4946

To amend the Internal Revenue Code to provide health care incentives related to long-term care.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 2002

Mr. HAYWORTH (for himself, Mr. WELLER, Mr. RAMSTAD, Mr. WATKINS of Oklahoma, Mr. ENGLISH, and Mr. LEWIS of Kentucky) 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 to provide health care incentives related to long-term care.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Improving Access to Long-Term Care Act of 2002”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-  
7 wise expressly provided, whenever in this Act an amend-  
8 ment or repeal is expressed in terms of an amendment  
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-  
 2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. DEDUCTION FOR PREMIUMS ON QUALIFIED LONG-**  
 4 **TERM CARE INSURANCE CONTRACTS.**

5 (a) IN GENERAL.—Part VII of subchapter B of chap-  
 6 ter 1 (relating to additional itemized deductions) is  
 7 amended by redesignating section 223 as section 224 and  
 8 by inserting after section 222 the following new sub-  
 9 section:

10 **“SEC. 223. PREMIUMS ON QUALIFIED LONG-TERM CARE IN-**  
 11 **SURANCE CONTRACTS.**

12 “(a) IN GENERAL.—In the case of an individual,  
 13 there shall be allowed as a deduction an amount equal to  
 14 the applicable percentage of eligible long-term care pre-  
 15 miums (as defined in section 213(d)(10)) paid during the  
 16 taxable year by the taxpayer for coverage for the taxpayer  
 17 and the spouse and dependents of the taxpayer.

18 “(b) APPLICABLE PERCENTAGE.—For purposes of  
 19 subsection (a), the applicable percentage shall be deter-  
 20 mined in accordance with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable percentage is—</b>
2003, 2004, and 2005 .....	25
2006 and 2007 .....	30
2008 and 2009 .....	35
2010 and 2011 .....	40
2012 and thereafter .....	50.

21 “(c) LIMITATION BASED ON MODIFIED ADJUSTED  
 22 GROSS INCOME.—

1           “(1) IN GENERAL.—If the modified adjusted  
2 gross income of the taxpayer for the taxable year ex-  
3 ceeds \$20,000 (twice the preceding dollar amount,  
4 as adjusted under paragraph (2), in the case of a  
5 joint return) the amount which would (but for this  
6 subsection) be allowed as a deduction under sub-  
7 section (a) shall be reduced (but not below zero) by  
8 the amount which bears the same ratio to the  
9 amount which would be so allowed as such excess  
10 bears to \$20,000 (\$40,000 in the case of a joint re-  
11 turn).

12           “(2) ADJUSTMENTS FOR INFLATION.—In the  
13 case of a taxable year beginning after December 31,  
14 2003, the first \$20,000 amount contained in para-  
15 graph (1) shall be increased by an amount equal  
16 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 the taxable year begins, deter-  
21 mined by substituting ‘calendar year 2002’ for  
22 ‘calendar year 1992’ in subparagraph (B)  
23 thereof.

24           “(3) MODIFIED ADJUSTED GROSS INCOME.—  
25 For purposes of paragraph (1), the term ‘modified

1 adjusted gross income’ means adjusted gross income  
2 determined—

3 “(A) without regard to this section and  
4 sections 911, 931, and 933, and

5 “(B) after application of sections 86, 135,  
6 137, 219, 221, 222, and 469.

7 “(d) LIMITATION BASED ON SUBSIDIZED COV-  
8 ERAGE.—

9 “(1) IN GENERAL.—Subsection (a) shall not  
10 apply to premiums paid for coverage of any indi-  
11 vidual for any calendar month if—

12 “(A) for such month such individual is cov-  
13 ered by any insurance which is advertised, mar-  
14 keted, or offered as long-term care insurance  
15 under any health plan maintained by any em-  
16 ployer of the taxpayer or of the taxpayer’s  
17 spouse, and

18 “(B) 50 percent or more of the cost of any  
19 such coverage (determined under section  
20 4980B) for such month is paid or incurred by  
21 the employer.

22 “(2) PLANS MAINTAINED BY CERTAIN EMPLOY-  
23 ERS.—A health plan which is not otherwise de-  
24 scribed in paragraph (1)(A) shall be treated as de-  
25 scribed in such paragraph if such plan would be so

1 described if all health plans of persons treated as a  
2 single employer under subsection (b), (c), (m), or (o)  
3 of section 414 were treated as one health plan.

4 “(e) COORDINATION WITH OTHER DEDUCTIONS.—  
5 Any amount taken into account under subsection (a) shall  
6 not be taken into account in computing the amount allow-  
7 able as a deduction under section 162(l) or 213(a).

8 “(f) MARRIED COUPLES MUST FILE JOINT RE-  
9 TURN.—

10 “(1) IN GENERAL.—If the taxpayer is married  
11 at the close of the taxable year, the deduction shall  
12 be allowed under subsection (a) only if the taxpayer  
13 and the taxpayer’s spouse file a joint return for the  
14 taxable year.

15 “(2) MARITAL STATUS.—For purposes of para-  
16 graph (1), marital status shall be determined in ac-  
17 cordance with section 7703.

18 “(g) REGULATIONS.—The Secretary shall prescribe  
19 such regulations as may be appropriate to carry out this  
20 section, including regulations requiring employers to re-  
21 port to their employees and the Secretary such informa-  
22 tion as the Secretary determines to be appropriate.”.

23 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-  
24 PAYER ITEMIZES.—Subsection (a) of section 62 is amend-



1 **SEC. 3. ADDITIONAL PERSONAL EXEMPTION FOR DEPEND-**  
 2 **ENTS WITH LONG-TERM CARE NEEDS IN TAX-**  
 3 **PAYER’S HOME.**

4 (a) IN GENERAL.—Section 151 (relating to allowance  
 5 of deductions for personal exemptions) is amended by re-  
 6 designating subsections (d) and (e) as subsections (e) and  
 7 (f), respectively, and by inserting after subsection (e) the  
 8 following new subsection:

9 “(d) ADDITIONAL EXEMPTION FOR DEPENDENTS  
 10 WITH LONG-TERM CARE NEEDS IN TAXPAYER’S  
 11 HOME.—

12 “(1) IN GENERAL.—Except as provided in para-  
 13 graph (2), an exemption of the exemption amount  
 14 for each qualified family member of the taxpayer.

15 “(2) PHASE-IN.—In the case of taxable years  
 16 beginning in calendar years before 2012, the amount  
 17 of the exemption provided under paragraph (1) shall  
 18 not exceed the applicable limitation amount deter-  
 19 mined in accordance with the following table:

<b>“For taxable years beginning in calendar year—</b>	<b>The applicable limitation amount is—</b>
2003 and 2004 .....	\$500
2005 and 2006 .....	1,000
2007 and 2008 .....	1,500
2009 and 2010 .....	2,000
2011 .....	2,500.

20 “(3) QUALIFIED FAMILY MEMBER.—For pur-  
 21 poses of this subsection, the term ‘qualified family

1 member' means, with respect to any taxable year,  
2 any individual—

3 “(A) who is—

4 “(i) the spouse of the taxpayer, or

5 “(ii) a dependent of the taxpayer with  
6 respect to whom the taxpayer is entitled to  
7 an exemption under subsection (e),

8 “(B) who is an individual with long-term  
9 care needs during any portion of the taxable  
10 year, and

11 “(C) other than an individual described in  
12 section 152(a)(9), who, for more than half of  
13 such year, has as such individual's principal  
14 place of abode the home of the taxpayer and is  
15 a member of the taxpayer's household.

16 “(4) INDIVIDUALS WITH LONG-TERM CARE  
17 NEEDS.—For purposes of this subsection, the term  
18 ‘individual with long-term care needs’ means, with  
19 respect to any taxable year, an individual who has  
20 been certified, during the 39½-month period ending  
21 on the due date (without extensions) for filing the  
22 return of tax for the taxable year (or such other pe-  
23 riod as the Secretary prescribes), by a physician (as  
24 defined in section 1861(r)(1) of the Social Security

1 Act) as being, for a period which is at least 180 con-  
2 secutive days—

3 “(A) an individual who is unable to per-  
4 form (without substantial assistance from an-  
5 other individual) at least 2 activities of daily liv-  
6 ing (as defined in section 7702B(c)(2)(B)) due  
7 to a loss of functional capacity, or

8 “(B) an individual who requires substan-  
9 tial supervision to protect such individual from  
10 threats to health and safety due to severe cog-  
11 nitive impairment and is unable to perform,  
12 without reminding or cuing assistance, at least  
13 1 activity of daily living (as so defined) or to  
14 the extent provided in regulations prescribed by  
15 the Secretary (in consultation with the Sec-  
16 retary of Health and Human Services), is un-  
17 able to engage in age appropriate activities.

18 “(5) IDENTIFICATION REQUIREMENT.—No ex-  
19 emption shall be allowed under this subsection to a  
20 taxpayer with respect to any qualified family mem-  
21 ber unless the taxpayer includes, on the return of  
22 tax for the taxable year, the name and taxpayer  
23 identification of the physician certifying such mem-  
24 ber. In the case of a failure to provide the informa-  
25 tion required under the preceding sentence, the pre-

1 ceding sentence shall not apply if it is shown that  
2 the taxpayer exercised due diligence in attempting to  
3 provide the information so required.

4 “(6) SPECIAL RULES.—Rules similar to the  
5 rules of paragraphs (2), (3), and (4) of section 21(e)  
6 shall apply for purposes of this subsection.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 1(f)(6)(A) is amended by striking  
9 “151(d)(4)” and inserting “151(e)(4)”.

10 (2) Section 1(f)(6)(B), as amended by the Eco-  
11 nomic Growth and Tax Relief Reconciliation Act of  
12 2001, is amended by striking “151(d)(3)(A)” and  
13 inserting “151(e)(3)(A)”.

14 (3) Section 1(f)(6)(B), as in effect on the day  
15 before the date of the enactment of the Economic  
16 Growth and Tax Relief Reconciliation Act of 2001,  
17 is amended by striking “151(d)(4)(A)” and inserting  
18 “151(e)(4)(A)”.

19 (4) Section 3402(f)(1)(A) is amended by strik-  
20 ing “151(d)(2)” and inserting “151(e)(2)”.

21 (5) Section 3402(r)(2)(B) is amended by strik-  
22 ing “151(d)” and inserting “151(e)”.

23 (6) Section 6012(a)(1)(D)(ii) is amended—

24 (A) by striking “151(d)” and inserting  
25 “151(e)”, and

1 (B) by striking “151(d)(2)” and inserting  
2 “151(e)(2)”.

3 (7) Section 6013(b)(3)(A) is amended by strik-  
4 ing “151(d)” and inserting “151(e)”.

5 (c) EFFECTIVE DATE.—The amendments made by  
6 this section shall apply to taxable years beginning after  
7 December 31, 2002.

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