

109TH CONGRESS
2D SESSION

S. 3745

To amend the Internal Revenue Code of 1986 to allow a tax credit for certain employer-provided retiree health care coverage, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 27 (legislative day, JULY 26), 2006

Ms. STABENOW (for herself and Mr. LEVIN) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow a tax credit for certain employer-provided retiree health care coverage, and for other purposes.

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. CREDIT FOR CERTAIN EMPLOYER-PROVIDED**
4 **RETIREE HEALTH CARE COVERAGE.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 (relating to business-related credits) is amended by
8 adding at the end the following:

1 **“SEC. 45N. EMPLOYER-PROVIDED RETIREE HEALTH CARE**2 **COVERAGE.**

3 “(a) GENERAL RULE.—For purposes of section 38,
4 in the case of an eligible employer, the retiree health care
5 coverage credit determined under this section for the tax-
6 able year is an amount equal to 10 percent of qualified
7 retiree health care expenses paid or incurred by the tax-
8 payer during such taxable year in connection with the pro-
9 vision of qualified retiree health care coverage.

10 “(b) ELIGIBLE EMPLOYER.—For purposes of this
11 section, the term ‘eligible employer’ means for a taxable
12 year any employer—

13 “(1) which is eligible for the deduction under
14 section 199 for such taxable year, or

15 “(2) at least 50 percent of the gross receipts of
16 which derived from activities within the United
17 States for such taxable year are domestic production
18 gross receipts (as defined in section 199(c)(4)).

19 “(c) QUALIFIED RETIREE HEALTH CARE EX-
20 PENSES.—For purposes of this section, the term ‘qualified
21 retiree health care expenses’ means any amount paid or
22 incurred by an eligible employer for qualified retiree health
23 care coverage to the extent such amount is attributable
24 to coverage provided to any employee and such employee’s
25 spouse and dependents while such employee is a qualified
26 employee.

1 “(d) QUALIFIED EMPLOYEE.—For purposes of this
2 section—

3 “(1) IN GENERAL.—The term ‘qualified em-
4 ployee’ means any retired employee of an employer
5 who, with respect to any period—

6 “(A) has attained 55 but not 66 years of
7 age, and

8 “(B) is not provided health insurance cov-
9 erage under title XVIII of the Social Security
10 Act.

11 “(2) EMPLOYEE.—The term ‘employee’ does
12 not include an employee within the meaning of sec-
13 tion 401(c)(1).

14 “(e) QUALIFIED RETIREE HEALTH CARE COV-
15 ERAGE.—For purposes of this section, the term ‘qualified
16 retiree health care coverage’ means health care coverage,
17 through the purchase of insurance or otherwise, the value
18 of which meets or exceeds on an actuarial basis the value
19 of any service benefit plan (standard option with preferred
20 provider organization) offered under chapter 89 of title 5,
21 United States Code.

22 “(f) CERTAIN RULES MADE APPLICABLE.—For pur-
23 poses of this section, rules similar to the rules of section
24 52 shall apply.

25 “(g) DENIAL OF DOUBLE BENEFITS.—

1 “(1) OTHER CREDITS.—No credit under any
2 other provision of this chapter shall be allowed with
3 respect to qualified retiree health care expenses
4 taken into account under subsection (a).

5 “(2) DEDUCTION.—The amount of any deduc-
6 tion allowable under this chapter with respect to any
7 qualified retiree health care expenses paid or in-
8 curred during the taxable year shall be reduced by
9 the amount of the credit allowed under subsection
10 (a) with respect to such expenses for such taxable
11 year.

12 “(h) ELECTION.—This section shall apply to any tax-
13 payer for any taxable year only if such taxpayer elects (at
14 such time and in such manner as the Secretary may by
15 regulations prescribe) to have this section apply for such
16 taxable year.

17 “(i) TERMINATION.—This section shall not apply to
18 premiums paid or incurred after December 31, 2009.”.

19 (b) CREDIT TO BE PART OF GENERAL BUSINESS
20 CREDIT.—Section 38(b) of the Internal Revenue Code of
21 1986 (relating to current year business credit) is amended
22 by striking “and” at the end of paragraph (29), by strik-
23 ing the period at the end of paragraph (30) and inserting
24 “, plus”, and by adding at the end the following:

1 “(31) the retiree health care coverage credit de-
2 termined under section 45N.”.

3 (c) CREDIT ALLOWED AGAINST THE ALTERNATIVE
4 MINIMUM TAX.—Section 38(c)(4)(B) of the Internal Rev-
5 enue Code of 1986 (defining specified credits) is amended
6 by striking the period at the end of clause (ii)(II) and in-
7 serting “, and”, and by adding at the end the following
8 new clause:

9 “(iii) the credit determined under sec-
10 tion 45N.”.

11 (d) 10-YEAR CARRYBACK AND UNLIMITED
12 CARRYFORWARD OF CREDIT.—Subsection (a) of section
13 39 of the Internal Revenue Code of 1986 is amended by
14 adding at the end the following new paragraph:

15 “(4) 10-YEAR CARRYBACK AND UNLIMITED
16 CARRYFORWARD FOR PREMIUMS CREDIT.—In the
17 case of the retiree health care coverage credit under
18 section 45N—

19 “(A) this section shall be applied sepa-
20 rately from the business credit (other than such
21 retiree health care coverage credit),

22 “(B) paragraph (1) shall be applied by
23 substituting ‘10 taxable years’ for ‘1 taxable
24 years’ in subparagraph (A) thereof and by
25 striking ‘20’ in subparagraph (B) thereof, and

1 “(C) paragraph (2) shall be applied by
2 striking ‘21’ in subparagraph (A) thereof and
3 by striking ‘20’ in subparagraph (B) thereof.”.

4 (e) CONFORMING AMENDMENTS.—

5 (1) Section 6501(m) of the Internal Revenue
6 Code of 1986 is amended by inserting “45N(h),”
7 after “45C(d)(4),”.

8 (2) The table of sections for subpart D of part
9 IV of subchapter A of chapter 1 of such Code is
10 amended by adding at the end the following:

“Sec. 45N. Employer-provided retiree health care insurance premiums.”.

11 (f) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to amounts paid or incurred in tax-
13 able years beginning after the date of the enactment of
14 this Act.

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