

109TH CONGRESS  
1ST SESSION

# S. 897

To amend the Internal Revenue Code of 1986 to clarify the calculation of the reserve allowance for medical benefits of plans sponsored by bona fide associations.

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IN THE SENATE OF THE UNITED STATES

APRIL 25, 2005

Mr. HATCH (for himself, Mr. GRASSLEY, and Mr. BAUCUS) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to clarify the calculation of the reserve allowance for medical benefits of plans sponsored by bona fide associations.

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. ALLOWANCE OF RESERVE FOR MEDICAL BENE-  
4 FITS OF PLANS SPONSORED BY BONA FIDE  
5 ASSOCIATIONS.**

6       (a) IN GENERAL.—Section 419A(c) of the Internal  
7 Revenue Code of 1986 (relating to account limit) is  
8 amended by adding at the end the following new para-  
9 graph:

1           “(6) ADDITIONAL RESERVE FOR MEDICAL BEN-  
2       EFITS OF BONA FIDE ASSOCIATION PLANS.—

3           “(A) IN GENERAL.—An applicable account  
4       limit for any taxable year may include a reserve  
5       in an amount not to exceed 35 percent of the  
6       sum of—

7           “(i) the qualified direct costs, and  
8           “(ii) the change in claims incurred,  
9       but unpaid, for such taxable year with re-  
10      spect to medical benefits (other than post-  
11      retirement medical benefits).

12           “(B) APPLICABLE ACCOUNT LIMIT.—For  
13      purposes of this subsection, the term ‘applicable  
14      account limit’ means an account limit for a  
15      qualified asset account with respect to medical  
16      benefits provided through a plan maintained by  
17      a bona fide association (as defined in section  
18      2791(d)(3) of the Public Health Service Act  
19      (42 U.S.C. 300gg-91(d)(3))”.

20           (b) EFFECTIVE DATE.—The amendment made by  
21      this section shall apply to taxable years ending after De-  
22      cember 31, 2004.

