

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.

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