

112TH CONGRESS  
1ST SESSION

# S. 1171

To amend the Internal Revenue Code of 1986 to extend the exclusion from gross income for employer-provided health coverage for employees' spouses and dependent children to coverage provided to other eligible designated beneficiaries of employees.

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## IN THE SENATE OF THE UNITED STATES

JUNE 9, 2011

Mr. SCHUMER (for himself, Ms. COLLINS, Mr. WHITEHOUSE, Mr. BINGAMAN, Mr. BROWN of Ohio, Ms. CANTWELL, Mrs. MURRAY, Mr. BLUMENTHAL, Mrs. GILLIBRAND, Mr. MERKLEY, Mr. LAUTENBERG, Mr. WYDEN, Mr. FRANKEN, Mr. KERRY, and Ms. KLOBUCHAR) 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 extend the exclusion from gross income for employer-provided health coverage for employees' spouses and dependent children to coverage provided to other eligible designated beneficiaries of employees.

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 “Tax Parity for Health  
5       Plan Beneficiaries Act of 2011”.

1 **SEC. 2. APPLICATION OF ACCIDENT AND HEALTH PLANS**  
2 **TO ELIGIBLE BENEFICIARIES.**

3 (a) **EXCLUSION OF CONTRIBUTIONS.**—Section 106 of  
4 the Internal Revenue Code of 1986 is amended by adding  
5 at the end the following new subsection:

6 “(g) **COVERAGE PROVIDED FOR ELIGIBLE BENE-**  
7 **FICIARIES OF EMPLOYEES.**—

8 “(1) **IN GENERAL.**—Subsection (a) shall apply  
9 with respect to employer-provided coverage under an  
10 accident or health plan for any eligible beneficiary of  
11 the employee.

12 “(2) **ELIGIBLE BENEFICIARY.**—For purposes of  
13 this subsection, the term ‘eligible beneficiary’ means  
14 any individual who is eligible to receive benefits or  
15 coverage under an accident or health plan.”.

16 (b) **EXCLUSION OF AMOUNTS EXPENDED FOR MED-**  
17 **ICAL CARE.**—The first sentence of section 105(b) of the  
18 Internal Revenue Code of 1986 is amended—

19 (1) by striking “and any child” and inserting  
20 “any child”, and

21 (2) by inserting “, and any eligible beneficiary  
22 (within the meaning of section 106(g)) with respect  
23 to the taxpayer” after “age 27”.

24 (c) **PAYROLL TAXES.**—

25 (1) Section 3121(a)(2) of the Internal Revenue  
26 Code of 1986 is amended—

1 (A) by striking “or any of his dependents”  
2 in the matter preceding subparagraph (A) and  
3 inserting “, any of his dependents, or any eligi-  
4 ble beneficiary (within the meaning of section  
5 106(g)) with respect to the employee”,

6 (B) by striking “or any of his dependents,”  
7 in subparagraph (A) and inserting “, any of his  
8 dependents, or any eligible beneficiary (within  
9 the meaning of section 106(g)) with respect to  
10 the employee,” and

11 (C) by striking “and their dependents”  
12 both places it appears and inserting “and such  
13 employees’ dependents and eligible beneficiaries  
14 (within the meaning of section 106(g))”.

15 (2) Section 3231(e)(1) of such Code is amend-  
16 ed—

17 (A) by striking “or any of his dependents”  
18 and inserting “, any of his dependents, or any  
19 eligible beneficiary (within the meaning of sec-  
20 tion 106(g)) with respect to the employee,”  
21 and

22 (B) by striking “and their dependents”  
23 both places it appears and inserting “and such  
24 employees’ dependents and eligible beneficiaries  
25 (within the meaning of section 106(g))”.

1           (3) Section 3306(b)(2) of such Code is amend-  
2 ed—

3           (A) by striking “or any of his dependents”  
4 in the matter preceding subparagraph (A) and  
5 inserting “, any of his dependents, or any eligi-  
6 ble beneficiary (within the meaning of section  
7 106(g)) with respect to the employee,”,

8           (B) by striking “or any of his dependents”  
9 in subparagraph (A) and inserting “, any of his  
10 dependents, or any eligible beneficiary (within  
11 the meaning of section 106(g)) with respect to  
12 the employee”, and

13           (C) by striking “and their dependents”  
14 both places it appears and inserting “and such  
15 employees’ dependents and eligible beneficiaries  
16 (within the meaning of section 106(g))”.

17           (4) Section 3401(a) of such Code is amended  
18 by striking “or” at the end of paragraph (22), by  
19 striking the period at the end of paragraph (23) and  
20 inserting “; or”, and by inserting after paragraph  
21 (23) the following new paragraph:

22           “(24) for any payment made to or for the ben-  
23 efit of an employee or any eligible beneficiary (within  
24 the meaning of section 106(g)) if at the time of such  
25 payment it is reasonable to believe that the employee

1 will be able to exclude such payment from income  
 2 under section 106 or under section 105 by reference  
 3 in section 105(b) to section 106(g).”.

4 (d) EFFECTIVE DATE.—The amendments made by  
 5 this section shall apply to taxable years beginning after  
 6 December 31, 2011.

7 **SEC. 3. EXPANSION OF DEPENDENCY FOR PURPOSES OF**  
 8 **DEDUCTION FOR HEALTH INSURANCE COSTS**  
 9 **OF SELF-EMPLOYED INDIVIDUALS.**

10 (a) IN GENERAL.—Paragraph (1) of section 162(l)  
 11 of the Internal Revenue Code of 1986 is amended by strik-  
 12 ing “and” at the end of subparagraph (C), by striking the  
 13 period at the end of subparagraph (D) and inserting a  
 14 comma and by adding at the end the following new sub-  
 15 paragraphs:

16 “(E) any individual who—

17 “(i) satisfies the age requirements of  
 18 section 152(c)(3)(A),

19 “(ii) bears a relationship to the tax-  
 20 payer described in section 152(d)(2)(H),  
 21 and

22 “(iii) meets the requirements of sec-  
 23 tion 152(d)(1)(C), and

24 “(F) one individual who—

25 “(i) is at least age 19,



1 (b) EFFECTIVE DATE.—The amendment made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2011.

4 **SEC. 5. FLEXIBLE SPENDING ARRANGEMENTS AND HEALTH**  
5 **REIMBURSEMENT ARRANGEMENTS.**

6 The Secretary of Treasury shall issue guidance of  
7 general applicability within 180 days after the date of the  
8 enactment of this Act providing that medical expenses that  
9 otherwise qualify—

10 (1) for reimbursement from a flexible spending  
11 arrangement under regulations in effect on such  
12 date of enactment may be reimbursed from an em-  
13 ployee’s flexible spending arrangement, notwith-  
14 standing the fact that such expenses are attributable  
15 to any individual who is not the employee’s spouse  
16 or dependent (within the meaning of section 105(b)  
17 of the Internal Revenue Code of 1986) but is an eli-  
18 gible beneficiary (within the meaning of section  
19 106(g) of such Code) under the flexible spending ar-  
20 rangement with respect to the employee, and

21 (2) for reimbursement from a health reimburse-  
22 ment arrangement under regulations in effect on  
23 such date of enactment may be reimbursed from an  
24 employee’s health reimbursement arrangement, not-  
25 withstanding the fact that such expenses are attrib-





1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2011.

4 **SEC. 7. EXTENSION OF FUNDING MECHANISM FOR MED-**  
5 **ICAL BENEFITS FOR RETIREES AND THEIR**  
6 **FAMILIES.**

7       (a) IN GENERAL.—Section 401(h) of the Internal  
8 Revenue Code of 1986 is amended by inserting “, and any  
9 eligible beneficiary (within the meaning of section 106(g))  
10 of the retired employee” after “age 27”.

11       (b) EFFECTIVE DATE.—The amendment made by  
12 this section shall apply to taxable years beginning after  
13 December 31, 2011.

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