

**COMPARISON OF REVENUE PROVISIONS IN H.R. 2990  
AS PASSED BY THE HOUSE AND THE SENATE**

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of the

JOINT COMMITTEE ON TAXATION

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## INTRODUCTION AND LEGISLATIVE BACKGROUND

This document<sup>1</sup> prepared by the staff of the Joint Committee on Taxation, provides a comparison of the revenue provisions contained in H.R. 2990 as passed by the House and as amended by the Senate.

H.R. 2990 was passed by the House on October 6, 1999. H.R. 2990 as passed by the House has two divisions. Division A is the "Quality Care for the Uninsured Act of 1999," and Division B is the "Bipartisan Consumers Managed Care Improvement Act of 1999." The bill, as amended by the provisions of S. 1344 as amended by the Senate (the "Patients' Bill of Rights Plus Act"), was passed by the Senate on October 14, 1999.

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *Comparison of Revenue Provisions in H.R. 2990, as passed by the House and the Senate* (JCX-77-99), November 2, 1999.

ITEM	HOUSE BILL	SENATE AMENDMENT
<b>I. HEALTH CARE TAX RELIEF PROVISIONS</b>		
A. Above-the-Line Deduction for Health Insurance Expenses (sec. 201 of the House bill)	<ul style="list-style-type: none"> <li>• Provides above-the-line deduction for of health insurance costs, phased in: 25% in 2002, 2003, and 2004; 35% in 2005; 65% in 2006; and 100% in 2007 and thereafter.</li> <li>• Deduction available only if the taxpayer pays for at least 50% of the cost of the insurance.</li> <li>• Effective for years beginning after December 31, 2001.</li> <li>• Same as sec. 501 of the conference agreement for H.R. 2488.<sup>2</sup></li> </ul>	No provision.
B. Accelerate 100-Percent Self-Employed Health Insurance Deduction (sec. 202 of the House bill and sec. 501 of the Senate amendment)	<ul style="list-style-type: none"> <li>• Increases self-employed health deduction to 100% beginning in 2001.</li> <li>• Provides that deduction is not available if individual participates in an employer-subsidized health plan.</li> <li>• Same as sec. 801 of the conference agreement for H.R. 2488, except for the effective date.</li> </ul>	<ul style="list-style-type: none"> <li>• Increases self-employed health deduction to 100% beginning in 2000.</li> <li>• No provision. (Retains present-law rule that deduction is not available if individual is eligible to participate in an employer-subsidized health plan).</li> </ul>

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<sup>2</sup> H.R. 2488, the "Taxpayer Refund and Relief Act of 1999," was vetoed by President Clinton on September 23, 1999. Legislative history for the provisions in H.R. 2488 may be found in H. Rept. 106-238 (July 16, 1999), S. Rept. 106-120 (July 23, 1999), and H. Rept. 106-289 (August 4, 1999).

ITEM	HOUSE BILL	SENATE AMENDMENT
C. Provisions Relating to Medical Savings Accounts (“MSAs”)		
1. Expand availability of MSAs (sec. 203 of the House bill and sec. 502 of the Senate amendment)	<ul style="list-style-type: none"> <li>• Makes MSAs permanent and removes cap on number of MSAs.</li> <li>• Allows all individuals covered by a high deductible plan to have an MSA.</li> <li>• Permits both employer and employee contributions.</li> <li>• Allows MSAs to be offered in a cafeteria plan.</li> <li>• Lowers minimum deductible to \$1,000 (\$2,000 for family coverage) and allows contributions up to deductible.</li> <li>• No provision.</li>   <li>• No provision.</li>   <li>• Effective for taxable years beginning after December 31, 2000.</li> <li>• Same as Section 503 of the House version of H.R. 2488, except that that bill did not extend MSAs to individuals not covered by an employer.</li> </ul>	<ul style="list-style-type: none"> <li>• Same as House bill.</li>   <li>• Same as House bill.</li>   <li>• No provision.</li>   <li>• No provision.</li>   <li>• Same as House bill.</li>   <li>• Provides that the 15-percent additional tax on distributions not used for medical purposes does not apply if the remaining account balance is at least equal to the deductible under the individual’s high deductible plan.</li> <li>• Includes rules regarding the treatment of networked-based managed care plans as high deductible plans.</li> <li>• Generally effective for taxable years beginning after December 31, 1999.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
2. Permit MSAs to be offered under the FEHBP (sec. 503 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Permits MSAs to be offered under the FEHBP.</li> <li>• Effective for contract terms beginning after December 31, 1999.</li> </ul>
3. Preemption of laws regarding high deductible plans (sec. 101 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Provides that, notwithstanding any other provision of law, health issuers may offer and eligible individuals may purchase high deductible plans. Provides that, effective for 4 years after the date of enactment, high deductible health plans are not required to provide payment for any health care items or services that are exempt from the plan's deductible.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
D. Provisions Relating to Long-Term Care		
1. Above-the-line deduction for long-term care insurance expenses (sec. 201 of the House bill and sec. 602 of the Senate amendment)	<ul style="list-style-type: none"> <li>• Provides above-the-line deduction for a percentage of eligible long-term care insurance costs (subject to present-law premium limitations).</li> <li>• Deductible percentage is 25% in 2002, 2003, and 2004; 35% in 2005; 65% in 2006; and 100% in 2007 and thereafter.</li> <li>• Deduction available only if taxpayer pays at least 50% of the cost of the coverage.</li> <li>• Effective for taxable years beginning after December 31, 2001.</li> <li>• Same as section 501 of the conference agreement for H.R. 2488.</li> </ul>	<ul style="list-style-type: none"> <li>• Provides above-the-line deduction for 100 percent of eligible long-term care insurance costs.</li> <li>• Deduction is not available if taxpayer eligible to participate in employer-subsidized long-term care plan.</li> <li>• Deduction does not apply for self-employment tax purposes.</li> <li>• Effective for taxable years beginning after December 31, 1999.</li> </ul>
2. Permit long-term care to be offered as part of a cafeteria plan (sec. 204 of the House bill and sec. 601 of the Senate amendment)	<ul style="list-style-type: none"> <li>• Permits long-term care benefits to be offered under flexible spending arrangements and cafeteria plans. In the case of long-term care insurance, the benefit cannot exceed the present-law premium limitations.</li> <li>• Effective beginning after December 31, 2001.</li> <li>• Same as sec. 502 of the conference agreement for H.R. 2488.</li> </ul>	<ul style="list-style-type: none"> <li>• Permits long-term care benefits to be offered under cafeteria plans (present-law premium limitations do not apply).</li> <li>• Effective beginning after December 31, 1999.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
3. Additional personal exemption for caretakers (sec. 205 of the House bill)	<ul style="list-style-type: none"> <li>• Provides taxpayers with an additional personal exemption for an individual who (1) is an ancestor of the taxpayer or the taxpayer's spouse (or the spouse of such ancestor), (2) has been certified as having long-term care needs, and (3) is a member of the taxpayer's household for the taxpayer's entire taxable year.</li> <li>• Effective for taxable years beginning after December 31, 2000.</li> <li>• Same as sec. 503 of the conference agreement for H.R. 2488, except for the effective date.</li> </ul>	No provision.
4. Study of long-term care needs (sec. 603 of the Senate amendment)	No provision.	Directs the Secretary of Health and Human Services to conduct a study on the future demand for long-term services and long-term options for financing such services.

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>E. Expand Human Clinical Trials Expenses Qualifying for Orphan Drug Tax Credit (sec. 206 of the House bill)</p>	<ul style="list-style-type: none"> <li>• Expands qualifying expenses to include those expenses related to human clinical testing incurred after the date on which the taxpayer files an application with the FDA for designation of the drug under section 526 of the Federal Food, Drug, and Cosmetic Act as a potential treatment for a rare disease or disorder.</li> <li>• Effective for expenditures paid or incurred after December 31, 2000.</li> <li>• Same as sec. 504 of the conference agreement for H.R. 2488, except for the effective date.</li> </ul>	<p>No provision.</p>

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>F. Add Certain Vaccines Against Streptococcus Pneumoniae to List of Taxable Vaccines (sec. 207 of the House bill and sec. 810 of the Senate amendment)</p>	<ul style="list-style-type: none"> <li>• Adds any conjugate vaccine against streptococcus pneumoniae to the list of taxable vaccines, effective day after CDC makes final recommendation for routine administration to children.</li> <li>• Reduces rate of tax for all vaccines from 75 cents to 50 cents per dose, effective for sales after December 31, 2004.</li> <li>• Requires GAO report regarding the operation and management of the Vaccine Trust Fund.</li> <li>• Substantially identical to sec. 505 of the conference agreement for H.R. 2488.</li> </ul>	<ul style="list-style-type: none"> <li>• Adds any conjugate vaccine against streptococcus pneumoniae to the list of taxable vaccines, effective day after CDC makes final recommendation for routine administration to children.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>G. Credit for Clinical Testing Research Expenses Attributable to Certain Qualified Academic Institutions (sec. 208 of the House bill)</p>	<ul style="list-style-type: none"> <li>• Taxpayer may claim a 40% credit for qualified medical research expenditures made with respect to certain human clinical testing of any drug, biologic, or medical device. The credit would apply to qualified medical research expenditures in excess of a base period amount.</li> <li>• Qualified medical research expenditures are only those amounts paid to certain academic institutions.</li> <li>• Effective for taxable years beginning after December 31, 2000.</li> <li>• Same as sec. 1334 of the conference agreement for H.R. 2488, except for the effective date.</li> </ul>	<p>No provision.</p>
<p>H. Application of Patients' Bill of Rights to Group Health Plans (sec. 1401 of the House bill and sec. 102 of the Senate amendment)</p>	<ul style="list-style-type: none"> <li>• Imposes an excise tax with respect to group health plan failures to comply with the patients' rights provisions of the bill.</li> <li>• Generally effective for plan years beginning on or after January 1, 2001.</li> </ul>	<ul style="list-style-type: none"> <li>• Imposes an excise tax with respect to group health plan failures to comply with the patients' rights provisions of the bill.</li> <li>• Generally effective with respect to plan years beginning on or after January 1 of the second calendar year following the date of enactment.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
I. Right to Information About Plans and Providers (sec. 111(b) of the Senate amendment)	No separate provision. (The patients' bill of rights provisions in the bill, see item III.H., above, include requirements that plans provide certain information to participants.)	<ul style="list-style-type: none"> <li>• Imposes an excise tax with respect to group health plans that fail to provide participants with certain information regarding the plan.</li> <li>• Effective one year after the date of enactment.</li> </ul>
J. Women's Health and Cancer Rights (sec. 201 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Imposes an excise tax with respect to group health plans that fail to meet certain requirements relating to coverage for minimum hospital stays for mastectomies and lymph node dissections for the treatment of breast cancer and coverage for secondary consultations.</li> <li>• Effective on the date of enactment.</li> </ul>
K. Genetic Information and Services (sec. 303 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Imposes an excise tax with respect to group health plans that fail to meet certain requirements prohibiting discrimination on the basis of genetic information or services.</li> <li>• Generally effective with respect to plan years beginning one year after the date of enactment.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
L. Carryover of Unused Benefits from Cafeteria Plans and Flexible Spending Arrangements (“FSAs”) (sec. 504 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Up to \$500 of unused health or dependent care benefits can be carried forward annually under a cafeteria plan or FSA.</li> <li>• Amounts carried forward can be paid to the participant, rolled over to a section 401(k) plan or similar arrangement or an MSA.</li> <li>• Effective for taxable years beginning after December 31, 1999.</li> </ul>
<b>II. INDIVIDUAL RETIREMENT ARRANGEMENTS</b>		
A. Increase Income Limitation on Roth IRA Conversions (sec. 701 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Increases the AGI limit on conversions of traditional IRAs to Roth IRAs from \$100,000 to \$1,000,000 for single and joint filers.</li> <li>• Effective for taxable years beginning after December 31, 1999.</li> <li>• Similar to sec. 302 of the Senate version of H.R. 2488, except for the effective date.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
<b>III. REVENUE OFFSET PROVISIONS</b>		
A. Modify Foreign Tax Credit Carryover Rules (sec. 801 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Reduces the carryback period for excess foreign tax credits from two years to one year.</li> <li>• Extends the excess foreign tax credit carryforward period from five years to seven years.</li> <li>• Effective for foreign tax credits arising in years beginning after December 31, 2001.</li> <li>• Same as sec. 1301 of the Senate version of H.R. 2488, except for the effective date.</li> </ul>
B. Limitation on Use of Nonaccrual Experience Method of Accounting (sec. 802 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Limits use of the nonaccrual method to receivables from the provision of qualified personal services.</li> <li>• The effect of change in method to be taken into account over a period of up to 4 years.</li> <li>• Effective for taxable years ending after the date of enactment.</li> <li>• Same as sec. 1509 of the conference agreement for H.R. 2488.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
C. Expand Reporting on Cancellation of Indebtedness Income (sec. 803 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Requires information reporting on indebtedness discharged by any organization a significant trade or business of which is the lending of money.</li> <li>• Effective with respect to discharges of indebtedness after December 31, 1999.</li> <li>• Same as sec. 1501 of the conference agreement for H.R. 2488.</li> </ul>
D. Extension of IRS User Fees (sec. 804 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Extends the statutory authorization for IRS user fees through September 30, 2009.</li> <li>• Effective for requests made after September 30, 2003.</li> <li>• Same as sec. 1502 of the conference agreement for H.R. 2488.</li> </ul>
E. Property Subject to a Liability under Section 357(c) (sec. 805 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> <li>• Modify the rules regarding when a corporation is treated as assuming a liability, and limit a corporation's basis in property that secures the liability.</li> <li>• This provision was included in H.R. 435, the Miscellaneous Trade and Technical Corrections Act of 1999, which was signed into law on June 25, 1999 (P.L. 106-36).</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>F. Charitable Split-Dollar Life Insurance (sec. 806 of the Senate amendment)</p>	<p>No provision.</p>	<ul style="list-style-type: none"> <li>• Restates present law by denying a charitable contribution deduction for a transfer to a charity if the charity directly or indirectly pays or paid any premium on a life insurance, annuity or endowment contract in connection with the transfer, and any direct or indirect beneficiary under the contract is the transferor, any member of the transferor's family, or any other noncharitable person chosen by the transferor.</li> <li>• Imposes an excise tax on the charity, equal to the amount of the premiums paid by the charity, if the premiums are paid in connection with a transfer for which a deduction is not allowable.</li> <li>• Requires a charity to report annually to the Internal Revenue Service the amount of premiums subject to this excise tax and information about the beneficiaries under the contract.</li> <li>• Generally effective after February 8, 1999.</li> <li>• Same as sec. 1510 of the conference agreement for H.R. 2488.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>G. Treatment of Excess Pension Assets Used for Retiree Health Benefits (sec. 807 of the Senate amendment)</p>	<p>No provision.</p>	<ul style="list-style-type: none"> <li>• Extends through September 30, 2009, the present-law provision permitting qualified transfers of excess defined benefit pension plan assets to provide retiree health benefits.</li> <li>• Effective for transfers occurring after December 31, 2000, and before October 1, 2009, replaces the present-law minimum benefit requirement by a minimum cost requirement.</li> <li>• Same as sec. 1507 of the conference agreement for H.R. 2488, except for the effective date with respect to the minimum cost requirement.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>H. Impose Limitation on Prefunding Certain Employee Benefits (sec. 808 of the Senate amendment)</p>	<p>No provision.</p>	<ul style="list-style-type: none"> <li>• Limits the present-law exception to the deduction limit for 10-or-more employer plans to plans that provide only medical benefits, disability benefits, and qualifying group-term life insurance benefits.</li> <li>• An excise tax is imposed on the employer if any portion of a welfare benefit fund attributable to contributions that are deductible under the 10-or-more employer rule is used for a purpose other than the purpose for which the contributions were made.</li> <li>• Effective with respect to contributions paid or accrued after the date of enactment, in taxable years ending after such date.</li> <li>• Substantially identical to sec.1503 of the conference agreement for H.R. 2488, except for the effective date.</li> </ul>

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>I. Modify Installment Method and Prohibit its Use by Accrual Method Taxpayers (sec. 809 of the Senate amendment)</p>	<p>No provision.</p>	<ul style="list-style-type: none"> <li>• Prohibits use of installment method if the sale would otherwise be reported under an accrual method of accounting.</li> <li>• Any arrangement that gives the taxpayer the right to satisfy an obligation with an installment note is treated as a pledge of the installment note.</li> <li>• Effective for sales after the date of enactment.</li> <li>• Same as sec. 1508 of the conference agreement for H.R. 2488.</li> </ul>