

107TH CONGRESS
1ST SESSION

H. R. 2005

To amend the Internal Revenue Code of 1986, the Employee Retirement Income Security Act of 1974, and the Public Health Service Act to extend the basic period for health care continuation coverage from 18 months to 5 years, to permit a further extension of continuation coverage for individuals age 55 or older, and to provide for a 50 percent refundable tax credit towards premiums for COBRA continuation coverage.

IN THE HOUSE OF REPRESENTATIVES

MAY 24, 2001

Mr. STARK (for himself and Mr. MOAKLEY) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and the Workforce and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986, the Employee Retirement Income Security Act of 1974, and the Public Health Service Act to extend the basic period for health care continuation coverage from 18 months to 5 years, to permit a further extension of continuation coverage for individuals age 55 or older, and to provide for a 50 percent refundable tax credit towards premiums for COBRA continuation coverage.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “COBRA Coverage Ex-
3 tension and Affordability Act of 2001”.

4 **SEC. 2. EXTENSION OF BASIC COBRA CONTINUATION PE-
5 RIOD FROM 18 MONTHS TO 5 YEARS.**

6 (a) INTERNAL REVENUE CODE AMENDMENTS.—Sec-
7 tion 4980B(f)(2) of the Internal Revenue Code of 1986
8 is amended—

9 (1) by amending subclause (I) of subparagraph
10 (B)(i) to read as follows:

11 “(I) GENERAL RULE.—In the
12 case of a qualifying event not de-
13 scribed in paragraph (3)(F), the date
14 which is 60 months after the date of
15 the qualifying event.”;

16 (2) in subparagraph (B)(i)—

17 (A) by striking subclause (II);

18 (B) by striking subclauses (IV) and all
19 that follows;

20 (C) by redesignating subclause (III) as
21 subclause (II); and

22 (D) in subclause (II), as so redesignated,
23 by inserting before the period at the end the
24 following: “or, in such case and if later, 60
25 months after the date of the qualifying event”;
26 and

1 (3) by striking the last sentence in subpara-
2 graph (C).

3 (b) ERISA AMENDMENTS.—Section 602 of the Em-
4 ployee Retirement Income Security Act of 1974 (29
5 U.S.C. 1162) is amended—

6 (1) by amending clause (i) of paragraph (2)(A)
7 to read as follows:

8 “(i) GENERAL RULE.—In the case of
9 a qualifying event not described in section
10 603(6), the date which is 60 months after
11 the date of the qualifying event.”;

12 (2) in paragraph (2)(A)—

13 (A) by striking clause (ii);

14 (B) by striking clause (iv) and all that fol-
15 lows;

16 (C) by redesignating clause (iii) as clause
17 (ii); and

18 (D) in clause (ii), as so redesignated, by
19 striking “36 months after the date of the death
20 of the covered employee” and inserting “the
21 later of (I) 36 months after the date of the
22 death of the covered employee, or (II) 60
23 months after the date of the qualifying event”;
24 and

1 (3) by striking the last sentence in paragraph
2 (3).

3 (c) PHSA AMENDMENTS.—Section 2202 of the Pub-
4 lic Health Service Act 429 U.S.C. 300bb–2) is amended—

5 (1) by amending subparagraph (A) of para-
6 graph (2)(A) to read as follows:

7 “(A) MAXIMUM REQUIRED PERIOD.—The
8 date which is 60 months after the date of the
9 qualifying event.”; and

10 (2) by striking the last sentence of paragraph
11 (3).

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to plan years beginning on or after
14 January 1, 2002, with respect to individuals whose period
15 of extended coverage has not otherwise expired as of the
16 first day of the first such plan year.

17 **SEC. 3. FURTHER EXTENSION OF COBRA CONTINUATION**
18 **COVERAGE FOR INDIVIDUALS AGE 55 OR**
19 **OLDER.**

20 (a) INTERNAL REVENUE CODE AMENDMENTS.—Sec-
21 tion 4980B(f)(2) of the Internal Revenue Code of 1986
22 is amended—

23 (1) in subparagraph (B)(i), by inserting “.—
24 Subject to subparagraph (F)(i)—” after “PERIOD”;

1 (2) in subparagraph (C)(i), by inserting “sub-
2 ject to subparagraph (F)(ii),” after “(i)”; and

3 (3) by adding at the end the following new sub-
4 paragraph:

5 “(F) EXTENSION OF COVERAGE FOR INDI-
6 VIDUALS AGE 55 OR OLDER.—In the case of an
7 individual who attains the age of 55 on the date
8 the period of extended coverage under this sec-
9 tion would otherwise end by virtue of the appli-
10 cation of a durational limitation in subpara-
11 graph (B)(i)—

12 “(i) such durational limitations shall
13 no longer apply to the individual; and

14 “(ii) during the period of any ex-
15 tended coverage solely by reason of the ap-
16 plication of clause (i), in applying subpara-
17 graph (C)(i) any reference in such sub-
18 paragraph to ‘102 percent’ is deemed a
19 reference to ‘125 percent’.”.

20 (b) ERISA AMENDMENTS.—Section 602 of the Em-
21 ployee Retirement Income Security Act of 1974 (29
22 U.S.C. 1162) is amended—

23 (1) in paragraph (2)(A), by inserting “Subject
24 to paragraph (6)(A)—” after “PERIOD.—”;

1 (2) in paragraph (3)(A), by inserting “subject
2 to paragraph (6)(B),” after “(A)”; and

3 (3) by adding at the end the following new
4 paragraph:

5 “(6) EXTENSION OF COVERAGE FOR INDIVID-
6 UALS AGE 55 OR OLDER.—In the case of an indi-
7 vidual who attains the age of 55 on the date the pe-
8 riod of extended coverage under this section would
9 otherwise end by virtue of the application of a
10 durational limitation in paragraph (2)(A)—

11 “(A) such durational limitations shall no
12 longer apply to the individual; and

13 “(B) during the period of any extended
14 coverage solely by reason of the application of
15 subparagraph (A), in applying paragraph
16 (3)(A) any reference in such paragraph to ‘102
17 percent’ is deemed a reference to ‘125 per-
18 cent’.”.

19 (c) PHSA AMENDMENTS.—Section 2202 of the Pub-
20 lic Health Service Act (42 U.S.C. 300bb–2) is amended—

21 (1) in paragraph (2)(A), by inserting “Subject
22 to paragraph (6)(A)—” after “PERIOD.—”;

23 (2) in paragraph (3)(A), by inserting “subject
24 to paragraph (6)(B),” after “(A)”; and

1 (3) by adding at the end the following new
2 paragraph:

3 “(6) EXTENSION OF COVERAGE FOR INDIVID-
4 UALS AGE 55 OR OLDER.—In the case of an indi-
5 vidual who attains the age of 55 on the date the pe-
6 riod of extended coverage under this section would
7 otherwise end by virtue of the application of a
8 durational limitation in paragraph (2)(A)—

9 “(A) such durational limitations shall no
10 longer apply to the individual; and

11 “(B) during the period of any extended
12 coverage solely by reason of the application of
13 subparagraph (A), in applying paragraph
14 (3)(A) any reference in such paragraph to ‘102
15 percent’ is deemed a reference to ‘125 per-
16 cent’.”.

17 (d) EFFECTIVE DATE.—The amendments made by
18 this section apply with respect to plan years beginning on
19 or after January 1, 2002, with respect to individuals
20 whose period of extended coverage otherwise ends on or
21 after first day of the first such plan year.

1 **SEC. 4. 50 PERCENT REFUNDABLE TAX CREDIT TOWARDS**
2 **PREMIUMS FOR COBRA CONTINUATION COV-**
3 **ERAGE.**

4 (a) IN GENERAL.—Subpart A of part IV of sub-
5 chapter A of chapter 1 of the Internal Revenue Code of
6 1986 (relating to nonrefundable personal credits) is
7 amended by inserting after section 25A the following new
8 section:

9 **“SEC. 25B. COBRA CONTINUATION COVERAGE PREMIUMS.**

10 “(a) IN GENERAL.—In the case of an individual,
11 there shall be allowed as a credit against the tax imposed
12 by this chapter for the taxable year an amount equal to
13 50 percent of the amount paid during such year as con-
14 tinuation health coverage premiums.

15 “(b) CONTINUATION HEALTH COVERAGE PREMIUMS
16 DEFINED.—For purposes of this section, the term ‘con-
17 tinuation health coverage premiums’ means, for any pe-
18 riod, premiums paid for continuation coverage (as defined
19 in section 4980B(f)) under a group health plan for such
20 period but only if failure to offer such coverage to the tax-
21 payer for such period would constitute a failure by such
22 health plan to meet the requirements of section
23 4980B(f).”

24 (b) CLERICAL AMENDMENT.—The table of sections
25 for subpart A of part IV of subchapter A of chapter 1

1 of such Code is amended by inserting after the item relat-
2 ing to section 25A the following new item:

“Sec. 25B. COBRA continuation coverage premiums.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2001, for premiums for months beginning
6 with January 2002.

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