

107TH CONGRESS  
2D SESSION

# H. R. 3841

To provide assistance to displaced workers by extending unemployment benefits and by providing a credit for health insurance costs, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 2002

Mr. THOMAS introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Energy and Commerce, and the Budget, 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

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## A BILL

To provide assistance to displaced workers by extending unemployment benefits and by providing a credit for health insurance costs, and for other purposes.

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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Displaced Worker Assistance Act of 2002”.

6 (b) TABLE OF CONTENTS.—

### TITLE I—UNEMPLOYMENT ASSISTANCE

Sec. 101. Short title.

- Sec. 102. Federal-State agreements.  
 Sec. 103. Temporary extended unemployment compensation account.  
 Sec. 104. Payments to States having agreements for the payment of temporary  
 extended unemployment compensation.  
 Sec. 105. Financing provisions.  
 Sec. 106. Fraud and overpayments.  
 Sec. 107. Definitions.  
 Sec. 108. Applicability.  
 Sec. 109. Special Reed Act transfer in fiscal year 2002.

TITLE II—DISPLACED WORKER HEALTH INSURANCE CREDIT

- Sec. 201. Displaced worker health insurance credit.  
 Sec. 202. Advance payment of displaced worker health insurance credit.

TITLE III—SOCIAL SECURITY HELD HARMLESS; BUDGETARY  
 TREATMENT OF ACT

- Sec. 301. No impact on social security trust funds.  
 Sec. 302. Emergency designation.

1           **TITLE I—UNEMPLOYMENT**  
 2   **ASSISTANCE**

3   **SEC. 101. SHORT TITLE.**

4           This title may be cited as the “Temporary Extended  
 5 Unemployment Compensation Act of 2002”.

6   **SEC. 102. FEDERAL-STATE AGREEMENTS.**

7           (a) IN GENERAL.—Any State which desires to do so  
 8 may enter into and participate in an agreement under this  
 9 title with the Secretary of Labor (in this title referred to  
 10 as the “Secretary”). Any State which is a party to an  
 11 agreement under this title may, upon providing 30 days’  
 12 written notice to the Secretary, terminate such agreement.

13           (b) PROVISIONS OF AGREEMENT.—Any agreement  
 14 under subsection (a) shall provide that the State agency  
 15 of the State will make payments of temporary extended  
 16 unemployment compensation to individuals who—

1           (1) have exhausted all rights to regular com-  
2           pensation under the State law or under Federal law  
3           with respect to a benefit year (excluding any benefit  
4           year that ended before March 15, 2001);

5           (2) have no rights to regular compensation or  
6           extended compensation with respect to a week under  
7           such law or any other State unemployment com-  
8           pensation law or to compensation under any other  
9           Federal law;

10          (3) are not receiving compensation with respect  
11          to such week under the unemployment compensation  
12          law of Canada; and

13          (4) filed an initial claim for regular compensa-  
14          tion on or after March 15, 2001.

15          (c) EXHAUSTION OF BENEFITS.—For purposes of  
16          subsection (b)(1), an individual shall be deemed to have  
17          exhausted such individual’s rights to regular compensation  
18          under a State law when—

19               (1) no payments of regular compensation can  
20               be made under such law because such individual has  
21               received all regular compensation available to such  
22               individual based on employment or wages during  
23               such individual’s base period; or

24               (2) such individual’s rights to such compensa-  
25               tion have been terminated by reason of the expira-

1       tion of the benefit year with respect to which such  
2       rights existed.

3       (d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes  
4 of any agreement under this title—

5           (1) the amount of temporary extended unem-  
6       employment compensation which shall be payable to  
7       any individual for any week of total unemployment  
8       shall be equal to the amount of the regular com-  
9       pensation (including dependents' allowances) payable  
10      to such individual during such individual's benefit  
11      year under the State law for a week of total unem-  
12      ployment;

13          (2) the terms and conditions of the State law  
14      which apply to claims for regular compensation and  
15      to the payment thereof shall apply to claims for tem-  
16      porary extended unemployment compensation and  
17      the payment thereof, except—

18           (A) that an individual shall not be eligible  
19      for temporary extended unemployment com-  
20      pensation under this title unless, in the base pe-  
21      riod with respect to which the individual ex-  
22      hausted all rights to regular compensation  
23      under the State law, the individual had 20  
24      weeks of full-time insured employment or the  
25      equivalent in insured wages, as determined

1 under the provisions of the State law imple-  
2 menting section 202(a)(5) of the Federal-State  
3 Extended Unemployment Compensation Act of  
4 1970 (26 U.S.C. 3304 note); and

5 (B) where otherwise inconsistent with the  
6 provisions of this title or with the regulations or  
7 operating instructions of the Secretary promul-  
8 gated to carry out this title; and

9 (3) the maximum amount of temporary ex-  
10 tended unemployment compensation payable to any  
11 individual for whom a temporary extended unem-  
12 ployment compensation account is established under  
13 section 103 shall not exceed the amount established  
14 in such account for such individual.

15 (e) ELECTION BY STATES.—Notwithstanding any  
16 other provision of Federal law (and if State law permits),  
17 the Governor of a State that is in an extended benefit pe-  
18 riod may provide for the payment of temporary extended  
19 unemployment compensation in lieu of extended com-  
20 pensation to individuals who otherwise meet the require-  
21 ments of this section. Such an election shall not require  
22 a State to trigger off an extended benefit period.

1 **SEC. 103. TEMPORARY EXTENDED UNEMPLOYMENT COM-**  
2 **PENSATION ACCOUNT.**

3 (a) IN GENERAL.—Any agreement under this title  
4 shall provide that the State will establish, for each eligible  
5 individual who files an application for temporary extended  
6 unemployment compensation, a temporary extended un-  
7 employment compensation account with respect to such in-  
8 dividual's benefit year.

9 (b) AMOUNT IN ACCOUNT.—

10 (1) IN GENERAL.—The amount established in  
11 an account under subsection (a) shall be equal to the  
12 lesser of—

13 (A) 50 percent of the total amount of reg-  
14 ular compensation (including dependents' allow-  
15 ances) payable to the individual during the indi-  
16 vidual's benefit year under such law, or

17 (B) 13 times the individual's average week-  
18 ly benefit amount for the benefit year.

19 (2) WEEKLY BENEFIT AMOUNT.—For purposes  
20 of this subsection, an individual's weekly benefit  
21 amount for any week is the amount of regular com-  
22 pensation (including dependents' allowances) under  
23 the State law payable to such individual for such  
24 week for total unemployment.

25 (c) SPECIAL RULE.—

1           (1) IN GENERAL.—Notwithstanding any other  
2 provision of this section, if, at the time that the indi-  
3 vidual’s account is exhausted, such individual’s State  
4 is in an extended benefit period (as determined  
5 under paragraph (2)), then, such account shall be  
6 augmented by an amount equal to the amount origi-  
7 nally established in such account (as determined  
8 under subsection (b)(1)).

9           (2) EXTENDED BENEFIT PERIOD.—For pur-  
10 poses of paragraph (1), a State shall be considered  
11 to be in an extended benefit period if, at the time  
12 of exhaustion (as described in paragraph (1))—

13                   (A) such a period is then in effect for such  
14 State under the Federal-State Extended Unem-  
15 ployment Compensation Act of 1970; or

16                   (B) such a period would then be in effect  
17 for such State under such Act if section 203(d)  
18 of such Act were applied as if it had been  
19 amended by striking “5” each place it appears  
20 and inserting “4”.

21 **SEC. 104. PAYMENTS TO STATES HAVING AGREEMENTS FOR**  
22 **THE PAYMENT OF TEMPORARY EXTENDED**  
23 **UNEMPLOYMENT COMPENSATION.**

24           (a) GENERAL RULE.—There shall be paid to each  
25 State that has entered into an agreement under this title

1 an amount equal to 100 percent of the temporary extended  
2 unemployment compensation paid to individuals by the  
3 State pursuant to such agreement.

4 (b) TREATMENT OF REIMBURSABLE COMPENSA-  
5 TION.—No payment shall be made to any State under this  
6 section in respect of any compensation to the extent the  
7 State is entitled to reimbursement in respect of such com-  
8 pensation under the provisions of any Federal law other  
9 than this title or chapter 85 of title 5, United States Code.  
10 A State shall not be entitled to any reimbursement under  
11 such chapter 85 in respect of any compensation to the ex-  
12 tent the State is entitled to reimbursement under this title  
13 in respect of such compensation.

14 (c) DETERMINATION OF AMOUNT.—Sums payable to  
15 any State by reason of such State having an agreement  
16 under this title shall be payable, either in advance or by  
17 way of reimbursement (as may be determined by the Sec-  
18 retary), in such amounts as the Secretary estimates the  
19 State will be entitled to receive under this title for each  
20 calendar month, reduced or increased, as the case may be,  
21 by any amount by which the Secretary finds that the Sec-  
22 retary's estimates for any prior calendar month were  
23 greater or less than the amounts which should have been  
24 paid to the State. Such estimates may be made on the  
25 basis of such statistical, sampling, or other method as may



1 be agreed upon by the Secretary and the State agency of  
2 the State involved.

3 **SEC. 105. FINANCING PROVISIONS.**

4 (a) IN GENERAL.—Funds in the extended unemploy-  
5 ment compensation account (as established by section  
6 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of  
7 the Unemployment Trust Fund (as established by section  
8 904(a) of such Act (42 U.S.C. 1104(a)) shall be used for  
9 the making of payments to States having agreements en-  
10 tered into under this title.

11 (b) CERTIFICATION.—The Secretary shall from time  
12 to time certify to the Secretary of the Treasury for pay-  
13 ment to each State the sums payable to such State under  
14 this title. The Secretary of the Treasury, prior to audit  
15 or settlement by the General Accounting Office, shall  
16 make payments to the State in accordance with such cer-  
17 tification, by transfers from the extended unemployment  
18 compensation account (as so established) to the account  
19 of such State in the Unemployment Trust Fund (as so  
20 established).

21 (c) ASSISTANCE TO STATES.—There are appro-  
22 priated out of the employment security administration ac-  
23 count (as established by section 901(a) of the Social Secu-  
24 rity Act (42 U.S.C. 1101(a)) of the Unemployment Trust  
25 Fund, without fiscal year limitation, such funds as may

1 be necessary for purposes of assisting States (as provided  
2 in title III of the Social Security Act (42 U.S.C. 501 et  
3 seq.)) in meeting the costs of administration of agree-  
4 ments under this title.

5 (d) APPROPRIATIONS FOR CERTAIN PAYMENTS.—

6 There are appropriated from the general fund of the  
7 Treasury, without fiscal year limitation, to the extended  
8 unemployment compensation account (as so established)  
9 of the Unemployment Trust Fund (as so established) such  
10 sums as the Secretary estimates to be necessary to make  
11 the payments under this section in respect of—

12 (1) compensation payable under chapter 85 of  
13 title 5, United States Code; and

14 (2) compensation payable on the basis of serv-  
15 ices to which section 3309(a)(1) of the Internal Rev-  
16 enue Code of 1986 applies.

17 Amounts appropriated pursuant to the preceding sentence  
18 shall not be required to be repaid.

19 **SEC. 106. FRAUD AND OVERPAYMENTS.**

20 (a) IN GENERAL.—If an individual knowingly has  
21 made, or caused to be made by another, a false statement  
22 or representation of a material fact, or knowingly has  
23 failed, or caused another to fail, to disclose a material fact,  
24 and as a result of such false statement or representation  
25 or of such nondisclosure such individual has received an

1 amount of temporary extended unemployment compensa-  
2 tion under this title to which he was not entitled, such  
3 individual—

4 (1) shall be ineligible for further temporary ex-  
5 tended unemployment compensation under this title  
6 in accordance with the provisions of the applicable  
7 State unemployment compensation law relating to  
8 fraud in connection with a claim for unemployment  
9 compensation; and

10 (2) shall be subject to prosecution under section  
11 1001 of title 18, United States Code.

12 (b) REPAYMENT.—In the case of individuals who  
13 have received amounts of temporary extended unemploy-  
14 ment compensation under this title to which they were not  
15 entitled, the State shall require such individuals to repay  
16 the amounts of such temporary extended unemployment  
17 compensation to the State agency, except that the State  
18 agency may waive such repayment if it determines that—

19 (1) the payment of such temporary extended  
20 unemployment compensation was without fault on  
21 the part of any such individual; and

22 (2) such repayment would be contrary to equity  
23 and good conscience.

24 (c) RECOVERY BY STATE AGENCY.—

1           (1) IN GENERAL.—The State agency may re-  
2           cover the amount to be repaid, or any part thereof,  
3           by deductions from any temporary extended unem-  
4           ployment compensation payable to such individual  
5           under this title or from any unemployment com-  
6           pensation payable to such individual under any Fed-  
7           eral unemployment compensation law administered  
8           by the State agency or under any other Federal law  
9           administered by the State agency which provides for  
10          the payment of any assistance or allowance with re-  
11          spect to any week of unemployment, during the 3-  
12          year period after the date such individuals received  
13          the payment of the temporary extended unemploy-  
14          ment compensation to which they were not entitled,  
15          except that no single deduction may exceed 50 per-  
16          cent of the weekly benefit amount from which such  
17          deduction is made.

18          (2) OPPORTUNITY FOR HEARING.—No repay-  
19          ment shall be required, and no deduction shall be  
20          made, until a determination has been made, notice  
21          thereof and an opportunity for a fair hearing has  
22          been given to the individual, and the determination  
23          has become final.

24          (d) REVIEW.—Any determination by a State agency  
25          under this section shall be subject to review in the same

1 manner and to the same extent as determinations under  
2 the State unemployment compensation law, and only in  
3 that manner and to that extent.

4 **SEC. 107. DEFINITIONS.**

5 In this title, the terms “compensation”, “regular  
6 compensation”, “extended compensation”, “additional  
7 compensation”, “benefit year”, “base period”, “State”,  
8 “State agency”, “State law”, and “week” have the respec-  
9 tive meanings given such terms under section 205 of the  
10 Federal-State Extended Unemployment Compensation Act  
11 of 1970 (26 U.S.C. 3304 note).

12 **SEC. 108. APPLICABILITY.**

13 An agreement entered into under this title shall apply  
14 to weeks of unemployment—

15 (1) beginning after the date on which such  
16 agreement is entered into; and

17 (2) ending before January 1, 2003.

18 **SEC. 109. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**

19 **2002.**

20 (a) REPEAL OF CERTAIN PROVISIONS ADDED BY  
21 THE BALANCED BUDGET ACT OF 1997.—

22 (1) IN GENERAL.—The following provisions of  
23 section 903 of the Social Security Act (42 U.S.C.  
24 1103) are repealed:

25 (A) Paragraph (3) of subsection (a).

1 (B) The last sentence of subsection (c)(2).

2 (2) SAVINGS PROVISION.—Any amounts trans-  
3 ferred before the date of enactment of this Act  
4 under the provision repealed by paragraph (1)(A)  
5 shall remain subject to section 903 of the Social Se-  
6 curity Act, as last in effect before such date of en-  
7 actment.

8 (b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—  
9 Section 903 of the Social Security Act is amended by add-  
10 ing at the end the following:

11 “Special Transfer in Fiscal Year 2002

12 “(d)(1) The Secretary of the Treasury shall transfer  
13 (as of the date determined under paragraph (5)) from the  
14 Federal unemployment account to the account of each  
15 State in the Unemployment Trust Fund the amount deter-  
16 mined with respect to such State under paragraph (2).

17 “(2)(A) The amount to be transferred under this sub-  
18 section to a State account shall (as determined by the Sec-  
19 retary of Labor and certified by such Secretary to the Sec-  
20 retary of the Treasury) be equal to—

21 “(i) the amount which would have been re-  
22 quired to have been transferred under this section to  
23 such account at the beginning of fiscal year 2002  
24 if—

1           “(I) section 109(a)(1) of the Temporary  
2           Extended Unemployment Compensation Act of  
3           2002 had been enacted before the close of fiscal  
4           year 2001, and

5           “(II) section 5402 of Public Law 105–33  
6           (relating to increase in Federal unemployment  
7           account ceiling) had not been enacted,

8           minus

9           “(ii) the amount which was in fact transferred  
10          under this section to such account at the beginning  
11          of fiscal year 2002.

12          “(B) Notwithstanding the provisions of subparagraph  
13 (A)—

14           “(i) the aggregate amount transferred to the  
15          States under this subsection may not exceed a total  
16          of \$8,000,000,000; and

17           “(ii) all amounts determined under subpara-  
18          graph (A) shall be reduced ratably, if and to the ex-  
19          tent necessary in order to comply with the limitation  
20          under clause (i).

21          “(3)(A) Except as provided in paragraph (4),  
22          amounts transferred to a State account pursuant to this  
23          subsection may be used only in the payment of cash  
24          benefits—

1           “(i) to individuals with respect to their unem-  
2           ployment, and

3           “(ii) which are allowable under subparagraph  
4           (B) or (C).

5           “(B)(i) At the option of the State, cash benefits  
6           under this paragraph may include amounts which shall be  
7           payable as—

8           “(I) regular compensation, or

9           “(II) additional compensation, upon the exhaus-  
10          tion of any temporary extended unemployment com-  
11          pensation (if such State has entered into an agree-  
12          ment under the Temporary Extended Unemployment  
13          Compensation Act of 2002), for individuals eligible  
14          for regular compensation under the unemployment  
15          compensation law of such State.

16          “(ii) Any additional compensation under clause (i)  
17          may not be taken into account for purposes of any deter-  
18          mination relating to the amount of any extended com-  
19          pensation for which an individual might be eligible.

20          “(C)(i) At the option of the State, cash benefits  
21          under this paragraph may include amounts which shall be  
22          payable to 1 or more categories of individuals not other-  
23          wise eligible for regular compensation under the unem-  
24          ployment compensation law of such State, including those  
25          described in clause (iii).



1       “(ii) The benefits paid under this subparagraph to  
2 any individual may not, for any period of unemployment,  
3 exceed the maximum amount of regular compensation au-  
4 thorized under the unemployment compensation law of  
5 such State for that same period, plus any additional com-  
6 pensation (described in subparagraph (B)(i)) which could  
7 have been paid with respect to that amount.

8       “(iii) The categories of individuals described in this  
9 clause include the following:

10           “(I) Individuals who are seeking, or available  
11 for, only part-time (and not full-time) work.

12           “(II) Individuals who would be eligible for reg-  
13 ular compensation under the unemployment com-  
14 pensation law of such State under an alternative  
15 base period.

16           “(D) Amounts transferred to a State account under  
17 this subsection may be used in the payment of cash bene-  
18 fits to individuals only for weeks of unemployment begin-  
19 ning after the date of enactment of this subsection.

20           “(4) Amounts transferred to a State account under  
21 this subsection may be used for the administration of its  
22 unemployment compensation law and public employment  
23 offices (including in connection with benefits described in  
24 paragraph (3) and any recipients thereof), subject to the  
25 same conditions as set forth in subsection (c)(2) (exclud-

1 ing subparagraph (B) thereof, and deeming the reference  
2 to ‘subsections (a) and (b)’ in subparagraph (D) thereof  
3 to include this subsection).

4 “(5) Transfers under this subsection shall be made  
5 within 10 days after the date of enactment of this para-  
6 graph.”.

7 (c) LIMITATIONS ON TRANSFERS.—Section 903(b) of  
8 the Social Security Act shall apply to transfers under sec-  
9 tion 903(d) of such Act (as amended by this section). For  
10 purposes of the preceding sentence, such section 903(b)  
11 shall be deemed to be amended as follows:

12 (1) By substituting “the transfer date described  
13 in subsection (d)(5)” for “October 1 of any fiscal  
14 year”.

15 (2) By substituting “remain in the Federal un-  
16 employment account” for “be transferred to the  
17 Federal unemployment account as of the beginning  
18 of such October 1”.

19 (3) By substituting “fiscal year 2002 (after the  
20 transfer date described in subsection (d)(5))” for  
21 “the fiscal year beginning on such October 1”.

22 (4) By substituting “under subsection (d)” for  
23 “as of October 1 of such fiscal year”.

1           (5) By substituting “(as of the close of fiscal  
2       year 2002)” for “(as of the close of such fiscal  
3       year)”.

4       (d) TECHNICAL AMENDMENTS.—(1) Sections  
5 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue  
6 Code of 1986 are amended by inserting “or 903(d)(4)”  
7 before “of the Social Security Act”.

8       (2) Section 303(a)(5) of the Social Security Act is  
9 amended in the second proviso by inserting “or 903(d)(4)”  
10 after “903(c)(2)”.

11       (e) REGULATIONS.—The Secretary of Labor may  
12 prescribe any operating instructions or regulations nec-  
13 essary to carry out this section and the amendments made  
14 by this section.

15       **TITLE II—DISPLACED WORKER**  
16       **HEALTH INSURANCE CREDIT**

17       **SEC. 201. DISPLACED WORKER HEALTH INSURANCE CRED-**

18                               **IT.**

19       (a) IN GENERAL.—Subchapter B of chapter 65 of the  
20 Internal Revenue Code of 1986 (relating to abatements,  
21 credits, and refunds) is amended by inserting after section  
22 6428 the following new section:

1 **“SEC. 6429. DISPLACED WORKER HEALTH INSURANCE**  
2 **CREDIT.**

3 “(a) IN GENERAL.—In the case of an individual,  
4 there shall be allowed as a credit against the tax imposed  
5 by subtitle A an amount equal to 60 percent of the amount  
6 paid during the taxable year for coverage for the taxpayer,  
7 the taxpayer’s spouse, and dependents of the taxpayer  
8 under qualified health insurance during eligible coverage  
9 months.

10 “(b) ONLY 12 ELIGIBLE COVERAGE MONTHS.—The  
11 number of eligible coverage months taken into account  
12 under subsection (a) for all taxable years shall not exceed  
13 12.

14 “(c) ELIGIBLE COVERAGE MONTH.—For purposes of  
15 this section—

16 “(1) IN GENERAL.—The term ‘eligible coverage  
17 month’ means any month during 2002 or 2003 if,  
18 as of the first day of such month—

19 “(A) the taxpayer is unemployed,

20 “(B) the taxpayer is covered by qualified  
21 health insurance,

22 “(C) the premium for coverage under such  
23 insurance for such month is paid by the tax-  
24 payer, and

25 “(D) the taxpayer does not have other  
26 specified coverage.

1           “(2) SPECIAL RULES.—

2                   “(A) TREATMENT OF FIRST MONTH OF  
3           EMPLOYMENT.—The taxpayer shall be treated  
4           as meeting the requirement of paragraph (1)(A)  
5           for the first month beginning on or after the  
6           date that the taxpayer ceases to be unemployed  
7           by reason of beginning work for an employer.

8                   “(B) INITIAL CLAIM MUST BE AFTER  
9           MARCH 15, 2001.—The taxpayer shall not be  
10          treated as meeting the requirement of para-  
11          graph (1)(A) with respect to any unemployment  
12          if the initial claim for regular compensation for  
13          such unemployment is filed on or before March  
14          15, 2001.

15                  “(C) JOINT RETURNS.—In the case of a  
16          joint return, the requirements of paragraph (1)  
17          shall be treated as met if at least 1 spouse sat-  
18          isfies such requirements.

19                  “(3) OTHER SPECIFIED COVERAGE.—For pur-  
20          poses of this subsection, an individual has other  
21          specified coverage for any month if, as of the first  
22          day of such month—

23                          “(A) SUBSIDIZED COVERAGE.—

24                                  “(i) IN GENERAL.—Such individual is  
25                                  covered under any qualified health insur-

1           ance under which at least 50 percent of  
2           the cost of coverage (determined under sec-  
3           tion 4980B) is paid or incurred by an em-  
4           ployer (or former employer) of the tax-  
5           payer or the taxpayer's spouse.

6           “(ii) TREATMENT OF CAFETERIA  
7           PLANS AND FLEXIBLE SPENDING AC-  
8           COUNTS.—For purposes of clause (i), the  
9           cost of benefits—

10           “(I) which are chosen under a  
11           cafeteria plan (as defined in section  
12           125(d)), or provided under a flexible  
13           spending or similar arrangement, of  
14           such an employer, and

15           “(II) which are not includible in  
16           gross income under section 106,  
17           shall be treated as borne by such employer.

18           “(B) COVERAGE UNDER MEDICARE, MED-  
19           ICAID, OR SCHIP.—Such individual—

20           “(i) is entitled to benefits under part  
21           A of title XVIII of the Social Security Act  
22           or is enrolled under part B of such title, or

23           “(ii) is enrolled in the program under  
24           title XIX or XXI of such Act.

1           “(C) CERTAIN OTHER COVERAGE.—Such  
2 individual—

3           “(i) is enrolled in a health benefits  
4 plan under chapter 89 of title 5, United  
5 States Code, or

6           “(ii) is entitled to receive benefits  
7 under chapter 55 of title 10, United States  
8 Code.

9           “(4) DETERMINATION OF UNEMPLOYMENT.—  
10 For purposes of paragraph (1), an individual shall  
11 be treated as unemployed during any period—

12           “(A) for which such individual is receiving  
13 unemployment compensation (as defined in sec-  
14 tion 85(b)), or

15           “(B) for which such individual is certified  
16 by a State agency (or by any other entity des-  
17 ignated by the Secretary) as otherwise being en-  
18 titled to receive unemployment compensation  
19 (as so defined) but for—

20           “(i) the termination of the period dur-  
21 ing which such compensation was payable,  
22 or

23           “(ii) an exhaustion of such individ-  
24 ual’s rights to such compensation.

1       “(d) QUALIFIED HEALTH INSURANCE.—For pur-  
2 poses of this section, the term ‘qualified health insurance’  
3 means insurance which constitutes medical care; except  
4 that such term shall not include any insurance if substan-  
5 tially all of its coverage is of excepted benefits described  
6 in section 9832(c).

7       “(e) COORDINATION WITH ADVANCE PAYMENTS OF  
8 CREDIT.—

9               “(1) RECAPTURE OF EXCESS ADVANCE PAY-  
10 MENTS.—If any payment is made by the Secretary  
11 under section 7527 during any calendar year to a  
12 provider of qualified health insurance for an indi-  
13 vidual, then the tax imposed by this chapter for the  
14 individual’s last taxable year beginning in such cal-  
15 endar year shall be increased by the aggregate  
16 amount of such payments.

17               “(2) RECONCILIATION OF PAYMENTS AD-  
18 VANCED AND CREDIT ALLOWED.—Any increase in  
19 tax under paragraph (1) shall not be treated as tax  
20 imposed by this chapter for purposes of determining  
21 the amount of any credit (other than the credit al-  
22 lowed by subsection (a)) allowable under part IV of  
23 subchapter A of chapter 1.

24       “(f) SPECIAL RULES.—



1           “(1) COORDINATION WITH OTHER DEDUC-  
2           TIONS.—Amounts taken into account under sub-  
3           section (a) shall not be taken into account in deter-  
4           mining any deduction allowed under section 162(l)  
5           or 213.

6           “(2) MSA DISTRIBUTIONS.—Amounts distrib-  
7           uted from an Archer MSA (as defined in section  
8           220(d)) shall not be taken into account under sub-  
9           section (a).

10           “(3) DENIAL OF CREDIT TO DEPENDENTS.—No  
11           credit shall be allowed under this section to any indi-  
12           vidual with respect to whom a deduction under sec-  
13           tion 151 is allowable to another taxpayer for a tax-  
14           able year beginning in the calendar year in which  
15           such individual’s taxable year begins.

16           “(4) CREDIT TREATED AS REFUNDABLE CRED-  
17           IT.—For purposes of this title, the credit allowed  
18           under this section shall be treated as a credit allow-  
19           able under subpart C of part IV of subchapter A of  
20           chapter 1.

21           “(5) REGULATIONS.—The Secretary may pre-  
22           scribe such regulations and other guidance as may  
23           be necessary or appropriate to carry out this section  
24           and section 7527.”.

1 (b) INCREASED ACCESS TO HEALTH INSURANCE FOR  
2 INDIVIDUALS ELIGIBLE FOR TAX CREDIT THROUGH USE  
3 OF GUARANTEED ISSUE, QUALIFIED HIGH RISK POOLS,  
4 AND OTHER APPROPRIATE STATE MECHANISMS.—

5 (1) IN GENERAL.—Notwithstanding any other  
6 provision of law, in applying section 2741 of the  
7 Public Health Service Act (42 U.S.C. 300gg–41))  
8 and any alternative State mechanism under section  
9 2744 of such Act (42 U.S.C.300gg–44)), in deter-  
10 mining who is an eligible individual (as defined in  
11 section 2741(b) of such Act) in the case of an indi-  
12 vidual who may be covered by insurance for which  
13 credit is allowable under section 6429 of the Internal  
14 Revenue Code of 1986 for an eligible coverage  
15 month, if the individual seeks to obtain health insur-  
16 ance coverage under such section during an eligible  
17 coverage month under such section—

18 (A) paragraph (1) of such section 2741(b)  
19 shall be applied as if any reference to 18  
20 months is deemed a reference to 12 months,  
21 and

22 (B) paragraphs (4) and (5) of such section  
23 2741(b) shall not apply.

24 (2) PROMOTION OF STATE HIGH RISK POOLS.—  
25 Title XXVII of the Public Health Service Act is

1       amended by inserting after section 2744 the fol-  
2       lowing new section:

3       **“SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.**

4       “(a) SEED GRANTS TO STATES.—The Secretary shall  
5       provide from the funds appropriated under subsection  
6       (c)(1) a grant of up to \$1,000,000 to each State that has  
7       not created a qualified high risk pool as of the date of  
8       the enactment of this section for the State’s costs of cre-  
9       ation and initial operation of such a pool.

10       “(b) MATCHING FUNDS FOR OPERATION OF  
11       POOLS.—

12               “(1) IN GENERAL.—In the case of a State that  
13       has established a qualified high risk pool that re-  
14       stricts premiums charged under the pool to no more  
15       than 150 percent of the premium for applicable  
16       standard risk rates and that offers a choice of two  
17       or more coverage options through the pool, from the  
18       funds appropriated under subsection (c)(2) and al-  
19       lotted to the State under paragraph (2), the Sec-  
20       retary shall provide a grant of up to 50 percent of  
21       the losses incurred by the State in connection with  
22       the operation of the pool.

23               “(2) ALLOTMENT.—The amounts appropriated  
24       under subsection (c)(2) for a fiscal year shall be  
25       made available to the States in accordance with a

1 formula that is based upon the number of uninsured  
2 individuals in the States.

3 “(3) CONSTRUCTION.—Nothing in this sub-  
4 section shall be construed as preventing a State  
5 from supplementing the funds made available under  
6 this subsection for the support and operation of  
7 qualified high risk pools.

8 “(c) FUNDING.—Out of any money in the Treasury  
9 of the United States not otherwise appropriated, there are  
10 appropriated—

11 “(1) \$20,000,000 for fiscal year 2002 to carry  
12 out subsection (a); and

13 “(2) \$40,000,000 for each of fiscal years 2002  
14 and 2003.

15 Funds appropriated under this subsection for a fiscal year  
16 shall remain available for obligation through the end of  
17 the following fiscal year. Nothing in this section shall be  
18 construed as providing a State with an entitlement to a  
19 grant under this section.

20 “(d) QUALIFIED HIGH RISK POOL AND STATE DE-  
21 FINED.—For purposes of this section, the term ‘qualified  
22 high risk pool’ has the meaning given such term in section  
23 2744(c)(2) and the term ‘State’ means any of the 50  
24 States and the District of Columbia.”

1           (3) CONSTRUCTION.—Nothing in this sub-  
 2           section shall be construed as affecting the ability of  
 3           a State to use mechanisms, described in sections  
 4           2741(e) and 2744 of the Public Health Service Act,  
 5           as an alternative to applying the guaranteed avail-  
 6           ability provisions of section 2741(a) of such Act.

7           (c) INFORMATION REPORTING.—

8           (1) IN GENERAL.—Subpart B of part III of  
 9           subchapter A of chapter 61 of the Internal Revenue  
 10          Code of 1986 (relating to information concerning  
 11          transactions with other persons) is amended by in-  
 12          serting after section 6050S the following new sec-  
 13          tion:

14       **“SEC. 6050T. RETURNS RELATING TO DISPLACED WORKER**  
 15                               **HEALTH INSURANCE CREDIT.**

16       “(a) REQUIREMENT OF REPORTING.—Every  
 17       person—

18               “(1) who, in connection with a trade or busi-  
 19               ness conducted by such person, receives payments  
 20               during any calendar year from any individual for  
 21               coverage of such individual or any other individual  
 22               under qualified health insurance (as defined in sec-  
 23               tion 6429(d)), and

24               “(2) who claims a reimbursement for an ad-  
 25               vance credit amount,

1 shall, at such time as the Secretary may prescribe, make  
2 the return described in subsection (b) with respect to each  
3 individual from whom such payments were received or for  
4 whom such a reimbursement is claimed.

5 “(b) FORM AND MANNER OF RETURNS.—A return  
6 is described in this subsection if such return—

7 “(1) is in such form as the Secretary may pre-  
8 scribe, and

9 “(2) contains—

10 “(A) the name, address, and TIN of each  
11 individual referred to in subsection (a),

12 “(B) the aggregate of the advance credit  
13 amounts provided to such individual and for  
14 which reimbursement is claimed,

15 “(C) the number of months for which such  
16 advance credit amounts are so provided, and

17 “(D) such other information as the Sec-  
18 retary may prescribe.

19 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-  
20 UALS WITH RESPECT TO WHOM INFORMATION IS RE-  
21 QUIRED.—Every person required to make a return under  
22 subsection (a) shall furnish to each individual whose name  
23 is required to be set forth in such return a written state-  
24 ment showing—

1           “(1) the name and address of the person re-  
2           quired to make such return and the phone number  
3           of the information contact for such person, and

4           “(2) the information required to be shown on  
5           the return with respect to such individual.

6           The written statement required under the preceding sen-  
7           tence shall be furnished on or before January 31 of the  
8           year following the calendar year for which the return  
9           under subsection (a) is required to be made.

10          “(d) ADVANCE CREDIT AMOUNT.—For purposes of  
11          this section, the term ‘advance credit amount’ means an  
12          amount for which the person can claim a reimbursement  
13          pursuant to a program established by the Secretary under  
14          section 7527.”.

15          (2) ASSESSABLE PENALTIES.—

16                 (A) Subparagraph (B) of section  
17                 6724(d)(1) of such Code (relating to defini-  
18                 tions) is amended by redesignating clauses (xi)  
19                 through (xvii) as clauses (xii) through (xviii),  
20                 respectively, and by inserting after clause (x)  
21                 the following new clause:

22                         “(xi) section 6050T (relating to re-  
23                         turns relating to displaced worker health  
24                         insurance credit),”.

1           (B) Paragraph (2) of section 6724(d) of  
2 such Code is amended by striking “or” at the  
3 end of subparagraph (Z), by striking the period  
4 at the end of subparagraph (AA) and inserting  
5 “, or”, and by adding after subparagraph (AA)  
6 the following new subparagraph:

7           “(BB) section 6050T (relating to returns  
8 relating to displaced worker health insurance  
9 credit).”.

10           (3) CLERICAL AMENDMENT.—The table of sec-  
11 tions for subpart B of part III of subchapter A of  
12 chapter 61 of such Code is amended by inserting  
13 after the item relating to section 6050S the fol-  
14 lowing new item:

          “Sec. 6050T. Returns relating to displaced worker health insur-  
          ance credit.”.

15           (d) CONFORMING AMENDMENTS.—

16           (1) Paragraph (2) of section 1324(b) of title  
17 31, United States Code, is amended by inserting be-  
18 fore the period “, or from section 6429 of such  
19 Code”.

20           (2) The table of sections for subchapter B of  
21 chapter 65 of the Internal Revenue Code of 1986 is  
22 amended by adding at the end the following new  
23 item:

          “Sec. 6429. Displaced worker health insurance credit.”.



1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 2001.

4 **SEC. 202. ADVANCE PAYMENT OF DISPLACED WORKER**  
5 **HEALTH INSURANCE CREDIT.**

6 (a) IN GENERAL.—Chapter 77 of the Internal Rev-  
7 enue Code of 1986 (relating to miscellaneous provisions)  
8 is amended by adding at the end the following new section:

9 **“SEC. 7527. ADVANCE PAYMENT OF DISPLACED WORKER**  
10 **HEALTH INSURANCE CREDIT.**

11 “(a) GENERAL RULE.—The Secretary shall establish  
12 a program for making payments on behalf of eligible indi-  
13 viduals to providers of health insurance for such individ-  
14 uals.

15 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this  
16 section, the term ‘eligible individual’ means any individual  
17 for whom a qualified health insurance credit eligibility cer-  
18 tificate is in effect.

19 “(c) QUALIFIED HEALTH INSURANCE CREDIT ELIGI-  
20 BILITY CERTIFICATE.—For purposes of this section, a  
21 qualified health insurance credit eligibility certificate is a  
22 statement certified by a State agency (or by any other en-  
23 tity designated by the Secretary) which—

1           “(1) certifies that the individual was unem-  
2           employed (within the meaning of section 6429) as of  
3           the first day of any month, and

4           “(2) provides such other information as the  
5           Secretary may require for purposes of this section.”.

6           (b) CLERICAL AMENDMENT.—The table of sections  
7           for chapter 77 of such Code is amended by adding at the  
8           end the following new item:

“Sec. 7527. Advance payment of displaced worker health insur-  
  ance credit.”.

9           (c) EFFECTIVE DATE.—The amendments made by  
10          this section shall take effect on the date of the enactment  
11          of this Act.

12       **TITLE    III—SOCIAL    SECURITY**  
13       **HELD    HARMLESS;    BUDG-**  
14       **ETARY TREATMENT OF ACT**

15       **SEC. 301. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.**

16          (a) IN GENERAL.—Nothing in this Act (or an amend-  
17          ment made by this Act) shall be construed to alter or  
18          amend title II of the Social Security Act (or any regulation  
19          promulgated under that Act).

20          (b) TRANSFERS.—

21               (1) ESTIMATE OF SECRETARY.—The Secretary  
22               of the Treasury shall annually estimate the impact  
23               that the enactment of this Act has on the income  
24               and balances of the trust funds established under

1 section 201 of the Social Security Act (42 U.S.C.  
2 401).

3 (2) TRANSFER OF FUNDS.—If, under para-  
4 graph (1), the Secretary of the Treasury estimates  
5 that the enactment of this Act has a negative impact  
6 on the income and balances of the trust funds estab-  
7 lished under section 201 of the Social Security Act  
8 (42 U.S.C. 401), the Secretary shall transfer, not  
9 less frequently than quarterly, from the general reve-  
10 nues of the Federal Government an amount suffi-  
11 cient so as to ensure that the income and balances  
12 of such trust funds are not reduced as a result of  
13 the enactment of this Act.

14 **SEC. 302. EMERGENCY DESIGNATION.**

15 Congress designates as emergency requirements pur-  
16 suant to section 252(e) of the Balanced Budget and Emer-  
17 gency Deficit Control Act of 1985 the following amounts:

18 (1) An amount equal to the amount by which  
19 revenues are reduced by this Act below the rec-  
20 ommended levels of Federal revenues for fiscal year  
21 2002, the total of fiscal years 2002 through 2006,  
22 and the total of fiscal years 2002 through 2011, pro-  
23 vided in the conference report accompanying H.  
24 Con. Res. 83, the concurrent resolution on the budg-  
25 et for fiscal year 2002.

1           (2) Amounts equal to the amounts of new budg-  
2           et authority and outlays provided in this Act in ex-  
3           cess of the allocations under section 302(a) of the  
4           Congressional Budget Act of 1974 to the Committee  
5           on Finance of the Senate for fiscal year 2002, the  
6           total of fiscal years 2002 through 2006, and the  
7           total of fiscal years 2002 through 2011.

○