Summary

The purpose of this Act is to provide state tax credits for both the purchase of individual health insurance policies and out-of-pocket medical expenses. This bill restores tax equity to the health care system. Currently, only employers are allowed to purchase health insurance with pre-tax dollars. This is not only unfair to individuals, the self-employed, and their families, but it also fosters a dependence on employer provided health care. With tax credits, individuals would be encouraged to shop around for the best plan to meet their needs. Purchasers would become more sensitive to the price and utilization of insurance and, in effect, would spur stronger competition within the health care industry, helping to keep costs under control.

ALEC's bill would grant taxpayers a state tax credit for the purchase of health insurance, covering medical care for the taxpayer, the taxpayer's spouse, or a dependent. The bill would also allow taxpayers to use the credit for out-of-pocket medical care expenses for the taxpayer, the taxpayer's spouse, or a dependent, which were not reimbursed by insurance.

Model Legislation

Section 1. This Act may be cited as the Health Care Tax Relief and Equity Act.

Section 2. Persons filing state income tax returns shall be permitted to apply a credit against their tax liability of (insert appropriate percentage, amount, or scale), calculated upon:

(A) Amounts paid by the persons for expenses incurred for medical care, and not reimbursed by insurance or otherwise, for the person, the person’s spouse, or the person’s dependents. This calculation shall exclude any amount paid by an employer and not reported as income.

(B) Amounts paid by the person for expenses incurred for health insurance for the person, the person’s spouse, or the person’s dependents. This calculation shall exclude any amount paid by an employer and not reported as income.

Section 3. {Severability clause.}

Section 4. {Repealer clause.}

Section 5. {Effective date.}

Related Files
Health Care Tax Relief Equity Act (Adobe PDF File)