

**AMENDMENT TO H.R. 3962**  
**OFFERED BY MR. STEARNS OF FLORIDA**

In division A, at the end of subtitle A of title V (relating to amendments to the Internal Revenue Code), insert the following new section:

1 **SEC. 546. DEDUCTION FOR HEALTH INSURANCE AND PRE-**  
2 **SCRIPTION DRUG COSTS OF INDIVIDUALS.**

3 (a) IN GENERAL.—Part VII of subchapter B of chap-  
4 ter 1 of the Internal Revenue Code of 1986 is amended  
5 by redesignating section 224 as section 225 and by insert-  
6 ing after section 223 the following new section:

7 **“SEC. 224. HEALTH INSURANCE AND PRESCRIPTION DRUG**  
8 **COSTS.**

9 “(a) IN GENERAL.—In the case of an individual,  
10 there shall be allowed as a deduction an amount equal to  
11 the sum of the amount paid during the taxable year for—

12 “(1) insurance which constitutes medical care  
13 for the taxpayer and the taxpayer’s spouse and de-  
14 pendents, plus

15 “(2) unreimbursed prescription drug expenses  
16 paid by the taxpayer for the taxpayer and the tax-  
17 payer’s spouse and dependents.

18 “(b) LIMITATIONS AND SPECIAL RULES.—

1           “(1) EMPLOYER CONTRIBUTIONS TO CAFETERIA PLANS, FLEXIBLE SPENDING ARRANGEMENTS,  
2           AND MEDICAL SAVINGS ACCOUNTS.—Employer contributions to a cafeteria plan, a flexible spending or  
3           similar arrangement, a medical savings account, or  
4           a health savings account which are excluded from  
5           gross income under section 106 shall be treated for  
6           purposes of subsection (a) as paid by the employer.  
7

8           “(2) DEDUCTION NOT AVAILABLE FOR PAYMENT OF ANCILLARY COVERAGE PREMIUMS.—Any  
9           amount paid as a premium for insurance which provides for—  
10             
11             
12           

13                   “(A) coverage for accidents, disability, dental care, vision care, or a specified illness, or  
14                   

15                   “(B) making payments of a fixed amount  
16                   per day (or other period) by reason of being  
17                   hospitalized,  
18

19                   shall not be taken into account under subsection (a).

20           “(3) COORDINATION WITH DEDUCTION FOR HEALTH INSURANCE OF SELF-EMPLOYED INDIVIDUALS.—The amount taken into account by the taxpayer in computing the deduction under section  
21           162(l) shall not be taken into account under this  
22           section.  
23  
24

1           “(4) COORDINATION WITH MEDICAL EXPENSE  
2 DEDUCTION.—The amount taken into account by  
3 the taxpayer in computing the deduction under this  
4 section shall not be taken into account under section  
5 213.

6           “(e) DEFINITIONS.—For purposes of this section—

7           “(1) MEDICAL CARE.—

8           “(A) IN GENERAL.—The term ‘medical  
9 care’ has the meaning given such term by sec-  
10 tion 213(d) without regard to—

11           “(i) paragraph (1)(C) thereof, and

12           “(ii) so much of paragraph (1)(D)  
13 thereof as relates to qualified long-term  
14 care insurance contracts.

15           “(B) EXCLUSION OF CERTAIN OTHER CON-  
16 TRACTS.—The term ‘medical care’ shall not in-  
17 clude insurance if a substantial portion of its  
18 benefits are excepted benefits (as defined in sec-  
19 tion 9832(c)).

20           “(2) UNREIMBURSED PRESCRIPTION DRUG EX-  
21 PENSES.—The term ‘unreimbursed prescription drug  
22 expenses’ means amounts paid or incurred for a pre-  
23 scribed drug (as defined by section 213(d)(3)) the  
24 cost of which to the taxpayer is not reimbursed by  
25 insurance or otherwise.

1       “(d) REGULATIONS.—The Secretary shall prescribe  
2 such regulations as may be appropriate to carry out this  
3 section.”.

4       (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-  
5 PAYER ITEMIZES OTHER DEDUCTIONS.—Subsection (a)  
6 of section 62 of such Code is amended by inserting after  
7 paragraph (21) the following new item:

8               “(22) HEALTH INSURANCE AND PRESCRIPTION  
9 DRUG COSTS.—The deduction allowed by section  
10 224.”.

11       (c) CLERICAL AMENDMENTS.—The table of sections  
12 for part VII of subchapter B of chapter 1 of such Code  
13 is amended by striking the last item and inserting the fol-  
14 lowing new items:

“Sec. 224. Health insurance and prescription drug costs.

“Sec. 225. Cross reference.”.

15       (d) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2008.

