

S. 397

“Tax Equity and Affordability Act of 2007” Introduced by Senator Mel Martinez

The “Tax Equity and Affordability Act of 2007” was introduced by Senator Mel Martinez (R-FL) on January 25, 2007. The bill would allow individuals a refundable credit against income tax for the purchase of private health insurance for the benefit of the taxpayer, the taxpayer's spouse, and dependents.

Explanation of the bill as provided by Senator Martinez’ Office:

The federal tax code offers several health care tax breaks—totaling \$141 billion in forgone federal revenues. Of that total, \$126 billion went to employers for employee fringe benefits. 1940s era tax policy has fostered the current employer-based health insurance system and left 45.5 million Americans uninsured. The “Tax Equity and Affordability Act of 2007” would update the tax treatment of health care to the 21st Century—and end tax policy that discriminates against those who can’t get health insurance through their employer.

Specifically the bill would:

- Provide a refundable, advanceable health insurance tax credit would be available in the amount of \$2,000 per individual (family maximum of \$4,000), made adjustable for inflation each year for individuals with \$15,000 of income (\$30,000 married).
- Phase down the amount of the credit after an individual income level of \$30,000 (\$60,000 for families).
- Cap the current employer exclusion of healthcare expenses at a fixed dollar amount of \$5,000/individual and \$11,500/family a year.
- Provide eligibility for an advanceable, refundable \$1,250 tax credit for individuals and \$2,500 for families with income levels above \$30,000 (individual) and \$60,000 (family). This credit is equivalent to a \$5000/\$11500 tax deduction.
- Afford flexibility for individuals/families electing a high-deductible health plan so that the credit amount not used to pay plan premiums may be deposited into a Health Savings Account.
- Allows access to all Americans who are not receiving, Medicare, Medicaid, VA, or Indian health benefits, to have access to the credit.

Co-sponsors of the bill:

Senator Tom Coburn (R-OK)
Senator John Cornyn (R-TX)
Senator Jeff Sessions (R-AL)

Senator Norm Coleman (R-MN)
Senator James M. Inhofe (R-OK)
Senator John Thune (R-SD)