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AMENDMENT TO H.R.

OFFERED BY MR. BARTON OF TEXAS

(Page & line nos. refer to Committee Print of title I of June 17, 2002)

Insert at the end of part D of title XVIII of the Social Security Act (as proposed to be inserted by section 101(a)(2)) [page 46, after line 2], the following new section:

1 **"SEC. 1860K. PERMITTING ALTERNATIVE USE OF PRE-**
2 **SCRIPTION DRUG BENEFIT ACCOUNT.**

3 "(a) IN GENERAL.—Notwithstanding any other provision
4 of this part, an individual eligible for prescription drug benefits
5 under this part for a month may elect, in a form and manner
6 specified by the Secretary and instead of any other benefits
7 provided under this part, to have a contribution made on a
8 monthly basis to a prescription drug benefit account made
9 equal to 1/12 of the annual contribution amount specified in
10 subsection (b). Once an individual has made an election to have
11 such a contribution made, the individual may terminate such
12 election at any time during the first year in which such election
13 is effective and, thereafter, may terminate such election only at
14 intervals of 2 years.

15 "(b) ANNUAL CONTRIBUTION AMOUNT.—The annual con-
16 tribution amount specified in this subsection for months in—

17 "(1) 2003 is \$780; or

18 "(2) a subsequent year is equal to the annual con-
19 tribution amount specified in this subsection for months in
20 the preceding year increased by the percentage increase in
21 the consumer price index for all urban consumers (all
22 items; United States city average) for the 12-month period
23 ending with July preceding the beginning of the year in-
24 volved.



1 Any increase under paragraph (2) which is not a multiple of
2 \$12, shall be rounded to the nearest multiple of \$12.

3 “(c) PAYMENT.—The Secretary shall provide for payment
4 of the contribution under this section into the prescription drug
5 benefit account in an appropriate manner.

6 “(d) PRESCRIPTION DRUG BENEFIT ACCOUNT DE-
7 FINED.—For purposes of this section, the term ‘prescription
8 drug benefit account’ means such an account as defined in sec-
9 tion 139(b) of the Internal Revenue Code of 1986.

At the end of title I [page 58, after line 35] add the
following new section:

10 **SEC. 106. PRESCRIPTION DRUG BENEFIT ACCOUNT.**

11 (a) IN GENERAL.—Subchapter F of chapter 1 of the In-
12 ternal Revenue Code of 1986 (relating to exempt organizations)
13 is amended by adding at the end the following new part:

14 **“PART IX—PRESCRIPTION DRUG BENEFIT**
15 **ACCOUNTS**

“Sec. 531. Prescription drug benefit accounts.

16 **“SEC. 531. PRESCRIPTION DRUG BENEFIT ACCOUNT.**

17 “(a) EXCLUSION.—Gross income shall not include
18 any payment to the prescription drug benefit account of
19 an eligible individual by the Secretary of Health and
20 Human Services under part D of title XVIII of the Social
21 Security Act.

22 “(b) DEDUCTION ALLOWED FOR TAXPAYER CON-
23 TRIBUTIONS.—

24 “(1) IN GENERAL.—In the case of contributions
25 described in subsection (c) (2) (B), there shall be al-
26 lowed as a deduction for the taxable year an amount
27 equal to the aggregate amount paid in cash during

1 the taxable year by the taxpayer to the prescription
2 drug benefit account of the taxpayer.

3 “(2) LIMITATION.—The amount allowed as a
4 deduction under paragraph (1) for a taxable year
5 shall not exceed the amount which is allowable as a
6 contribution by the Secretary of Health and Human
7 Services pursuant to part D of title XVIII of the So-
8 cial Security Act for the year beginning in or with
9 the taxable year for which such contribution is al-
10 lowed.

11 “(c) PRESCRIPTION DRUG BENEFIT ACCOUNT.—For
12 purposes of this section, the term ‘prescription drug ben-
13 efit account’ means an Archer MSA (as defined in section
14 220(d))—

15 “(1) which is designated as a prescription drug
16 benefit account,

17 “(2) with respect to which no contribution may
18 be made other than—

19 “(A) a contribution made by the Secretary
20 of Health and Human Services pursuant to
21 part D of title XVIII of the Social Security Act,

22 “(B) a contribution made by the taxpayer
23 in any month in which the taxpayer is an eligi-
24 ble individual, or

1 “(C) a trustee-to-trustee transfer described
2 in subsection (e)(4),

3 “(3) the governing instrument of which pro-
4 vides that trustee-to-trustee transfers described in
5 subsection (e)(4) may be made to and from such ac-
6 count, and

7 “(4) which is established in connection with an
8 election under section ____ of the Social Security
9 Act.

10 “(d) ELIGIBLE INDIVIDUAL.—For purposes of this
11 section, the term ‘eligible individual’ means an individual
12 for whom an election under section ____ of the Social Se-
13 curity Act is in effect.

14 “(e) SPECIAL RULES.—For purposes of this
15 section—

16 “(1) DISTRIBUTIONS FOR PRESCRIPTION DRUG
17 EXPENSES.—In applying section 220 to a prescrip-
18 tion drug benefit account—

19 “(A) qualified medical expenses shall not
20 include—

21 “(i) amounts paid for medical care for
22 any individual other than the account hold-
23 er, and

24 “(ii) amounts paid for any medical
25 care other than medical care which is—



1 “(I) a prescription drug for
2 which a benefit is provided under part
3 D of title XVIII of the Social Security
4 Act,

5 “(II) the purchase of supple-
6 mental insurance coverage for such
7 prescription drugs, and

8 “(III) a prescription card enroll-
9 ment fee, and

10 “(B) section 220(d)(2)(C) shall not apply.

11 “(2) LIMITATION ON CONTRIBUTIONS NOT TO
12 APPLY.—Section 220(d)(1)(A)(ii) shall not apply.

13 “(3) WITHDRAWAL OF ERRONEOUS CONTRIBU-
14 TIONS.—Section 220(f)(2) shall not apply to any
15 payment or distribution from a prescription drug
16 benefit account to the Secretary of Health and
17 Human Services of an erroneous contribution to
18 such account and of the net income attributable to
19 such contribution.

20 “(4) TRUSTEE-TO-TRUSTEE TRANSFERS.—Sec-
21 tion 220(f)(2) and paragraph (2) of this subsection
22 shall not apply to any trustee-to-trustee transfer
23 from a prescription drug benefit account of an ac-
24 count holder to another prescription drug benefit ac-
25 count of such account holder.



1 “(f) REPORTS.—In the case of a prescription drug
2 benefit account, the report under section 220(h)—

3 “(1) shall include the fair market value of the
4 assets in such account as of the close of each cal-
5 endar year, and

6 “(2) shall be furnished to the account holder—

7 “(A) not later than January 31 of the cal-
8 endar year following the calendar year to which
9 such reports relate, and

10 “(B) in such manner as the Secretary pre-
11 scribes in such regulations.

12 “(g) COORDINATION WITH LIMITATION ON NUMBER
13 OF TAXPAYERS HAVING ARCHER MSAS.—Subsection (i)
14 of section 220 shall not apply to an individual with respect
15 to a prescription drug benefit account, and prescription
16 drug benefit accounts shall not be taken into account in
17 determining whether the numerical limitations under sec-
18 tion 220(j) are exceeded.”.

19 (b) CLERICAL AMENDMENT.—The table of parts for
20 subchapter F of chapter 1 of such Code is amended by
21 adding after the item relating to part VIII the following
22 new item:

“PART IX—PRESCRIPTION DRUG BENEFIT ACCOUNTS.”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

