

the kind of health insurance coverage they should have.

This measure also corrects another inequity in the law affecting self-employed who try to provide health insurance for themselves, their families, and their employees. It deals with an issue I raised in the last Congress.

Under the current law, the self-employed lose all the health insurance deduction if they are eligible to participate in another plan, whether or not they actually participate. This provision affects self-employed individuals such as Steve Hagan in my hometown of Mexico, MO. Steve is a financial planner who runs his own small business. Although he has a group medical plan for his employees, Steve cannot deduct the medical cost of covering himself or his family simply because his wife is eligible for health insurance through her employer.

The inequity is clear. Why should he be able to deduct the cost of health insurance for his employees but not for himself and his family? What if the insurance available through his wife's employer does not meet the needs of their family?

Besides being patently unfair, this is also an enormous trap for the unwary. Imagine the small business owner who learns that she can now deduct 60 percent of her health insurance costs this year, and with the extra deduction, she can finally afford a group medical plan for herself and her employees.

Then later in the year, her husband gets a new job that offers health insurance. Suddenly, her self-employed health insurance deduction is gone. Sadly, she is left with two choices. She can bear the entire burden of her family's coverage, or she can terminate the insurance coverage for all her employees, which will likely increase due to coverage of fewer employees under the plan. The Tax Code should not force small business owners into this kind of "no win" situation when they try to provide insurance coverage for their employees and themselves.

This bill eliminates this problem by clarifying that the self-employed health insurance deduction is limited only if the self-employed person actually participates in a subsidized health insurance plan offered by a spouse's employer or through a second job. It is simply a matter of fairness. It makes common sense. We ought to take this step right now.

It is a commonsense measure that answers the urgent plea of small businesses for fairness in the Tax Code. It has been on the "must do" list of the national small business groups for too long. And when I hosted the National Women's Small Business Summit this past summer, in Kansas City, it was at the top of the list among the recommendations we received.

We have a tremendous opportunity to work together. Let's take this opportunity and finish the job.

I had initially offered a list of 21 original cosponsors. I ask unanimous

consent that, in addition to those cosponsors, the following Senators be added: The Senator from Wyoming, Mr. ENZI; the Senator from Indiana, Mr. LUGAR; the Senator from Kansas, Mr. ROBERTS; the Senator from Maine, Ms. COLLINS; the Senator from Pennsylvania, Mr. SPECTER; and the Senator from Wisconsin, Mr. KOHL.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BOND. Mr. President, I ask unanimous consent the bill and a description of its provisions be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 29

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the "Self-Employed Health Insurance Fairness Act of 2001".

**SEC. 2. DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.**

(a) IN GENERAL.—Section 162(1)(1) of the Internal Revenue Code of 1986 (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

"(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents."

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(1)(2)(B) of the Internal Revenue Code of 1986 is amended to read as follows: "Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

**S. 29—SELF-EMPLOYED HEALTH INSURANCE FAIRNESS ACT OF 2001—DESCRIPTION OF PROVISIONS**

The bill amends section 162(1)(1) of the Internal Revenue Code to increase the deduction for health-insurance costs for self-employed individuals to 100% beginning on January 1, 2001. Currently the self-employed can only deduct 60% of these costs. The deduction is not scheduled to reach 100% until 2003, under the provisions of the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1998, which was signed into law in October 1998. The bill is designed to place self-employed individuals on an equal footing with large businesses, which can currently deduct 100% of the health-insurance costs for all of their employees.

The bill also corrects a disparity under current law that bars a self-employed individual from deducting any of his or her health-insurance costs if the individual is eligible to participate

in another health-insurance plan. This provision affects self-employed individuals who are eligible for, but do not participate in, a health-insurance plan offered through a second job or through a spouse's employer. That insurance plan may not be adequate for the self-employed business owner, and this provision prevents the self-employed from deducting the costs of insurance policies that do meet the specific needs of their families. In addition, this provision provides a significant disincentive for self-employed business owners to provide group health insurance for their employees. The bill ends this disparity by clarifying that a self-employed person loses the deduction only if he or she actually participates in another health-insurance plan.

Mr. DURBIN. Mr. President, I rise today with my colleague from Missouri, to introduce "The Self-Employed Health Insurance Fairness Act of 2001", as our first order of business for the new Congress. We have both been working on this issue for many years now and are hopeful that we can finally get the bill fully enacted this year. In past years, we have each introduced very similar bills and this year we are combining our efforts by introducing this bipartisan bill, which we intend to pursue vigorously throughout this Congress.

This bill would allow the self-employed to take a full tax deduction for their health insurance premiums as of December 31, 2000. Corporations already can take a full deduction for these expenses and this bill would level the playing field by allowing the self-employed to take the same full deduction. This bill would mean that the farmer and the agribusiness would be treated the same.

Under current law, the self-employed may only deduct 60 percent of their health insurance premiums this year. The deductibility will increase to 70 percent in 2002 and 100 percent in 2003. I am committed to seeing the self-employed receive equal treatment sooner rather than later.

The self-employed pay over 30 percent more for their health insurance than those insured by group health plans. This makes it much harder for them to afford health insurance. More than 22 percent of the self-employed were without health insurance in 1999, compared to 17.5 percent of other workers. That means that 4.8 million self-employed Americans went without health insurance in 1999.

In Illinois, 17 percent of the self-employed were without health insurance in 1999, up from 14 percent in 1996. The vast majority of these individuals are members of low-income working families. Fifty-three percent of the self-employed living on less than \$20,000 in Illinois are without health insurance. This compares with 34 percent of other Illinois working families with the same low income level. Almost 50 percent of those self-employed individuals who were without health insurance at some