

BILL ANALYSIS

Senate Research Center
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S.C.R. 37
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DIGEST

Almost 90 percent of all health insurance is paid for by or through employer programs, providing the majority of American workers with affordable access to health care. Generous federal tax code provisions that make employee contributions to employer-provided health insurance fully deductible from federal individual income taxes allow employees participating in such plans to purchase the coverage they need in a cost-effective manner. Some employers benefit from the health insurance they provide since the tax code also allows them to deduct the cost of the health insurance they offer employees from their corporate income taxes as a business expense. Not everyone is fortunate enough to be able to participate in an employer-provided health plan, and those who purchase private health insurance do not receive tax breaks of any kind, for these individuals, a dollar in pretax wages may buy only 50 cents' worth of health insurance after federal, state, and local taxes are taken out. Congress has responded to this issue with the 1999 Omnibus Appropriations Act, which gives a 60 percent tax deduction for insurance expenses to those who are self-employed. This deduction is scheduled to rise to 100 percent by 2003. For individuals who purchase private health insurance and bear full cost of a policy without the benefit of an employer's contributions, this deduction does little to make that private insurance affordable, since tax deductions provide a less substantial tax break than tax credits. While a tax deduction is subtracted from a person's income when calculating taxes, a tax credit is subtracted from the person's bottom line of taxes owed. Tax credits will give consumers more choice in health plans because employees would no longer be limited to insurance offered by employers, furthermore, consumers who bought their own private health insurance could maintain their coverage even if they changed jobs without any lapse in coverage.

PURPOSE

As proposed, S.C.R. 1 submits the following resolutions:

That the Texas secretary of state forward official copies of this resolution to the president of the United States, to the speaker of the house of representatives and the president of the senate of the United States Congress, and to all the members of the Texas Delegation to the congress with the request that this resolution be officially entered into the Congressional Record as a memorial to the Congress of the United States of America.