

1. What Is Budget Reconciliation?

Budget reconciliation is a special legislative process (created in the Congressional Budget Act of 1974) that allows certain tax and spending bills to pass the Senate with a **simple majority (51 votes)** — instead of the usual 60 votes needed to end debate (cloture) and overcome a filibuster.

But reconciliation can **only** be used for legislation that directly affects **federal revenue or spending**. And it must comply with the **Byrd Rule**, which blocks any provision that is “merely incidental” to the budget.

2. What the Byrd Rule Requires

To be included in a reconciliation bill, a provision must:

1. **Change federal outlays or revenues** (i.e., taxes or direct spending);
2. Have **budgetary impact that is not incidental** to its policy effect;
3. **Not increase the federal deficit** beyond the 10-year budget window (unless specified);
4. **Not change Social Security** (off-limits in reconciliation);
5. **Not impose mandates or restrictions** unrelated to budget impact.

So, every part of the bill must pass a “Byrd Rule test” — can it be justified as **primarily about spending or taxes**, not pure policy?

3. Why the TrumpCare Bill Meets the Reconciliation Test

Let’s go section by section:

Section 2: Age-Based Refundable Health Insurance Credit

This section:

- Amends the **Internal Revenue Code** to create a new **refundable, advance-payable tax credit** based on age.
- Allows the credit to be used on any legal insurance plan.
- Deposits any unused portion into an HSA.

Why this qualifies:

- It is a **direct tax expenditure**.
- Refundable credits are squarely within reconciliation precedent (e.g., ACA's §36B tax credits, child tax credit, EITC).
- It **changes both outlays (for refundable portion) and revenue (for nonrefundable portion)**.
- All language (age bands, eligibility, payment, HSA deposits) affects federal budget **directly**.

This section **clearly passes the Byrd Rule** — it is all tax code, no incidental policy.

Section 3: HSA Eligibility Expansion

This section:

- Broadens eligibility to allow **any state-legal plan** to qualify as HSA-compatible.
- Exempts credit-based HSA deposits from statutory contribution caps.

Why this qualifies:

- It **amends tax rules for HSAs** (IRC §223).
- Expands who can contribute and how much.
- These changes **directly reduce tax revenue** (increased exclusions).
- Precedent: every major HSA change (2003, 2006, 2017 GOP tax bills) was done via reconciliation.

All provisions here directly **alter tax revenue** = fits reconciliation.

Section 4: Voluntary Nature and Mandate Repeals

This section:

- States participation is voluntary.
- Repeals the **employer mandate** (IRC §4980H).
- Repeals ACA's **individual mandate** enforcement (IRC §5000A penalty remains \$0).

Why this qualifies:

- Both the employer and individual mandates are codified in the **tax code** and have been changed via reconciliation before.

- o The **2017 Tax Cuts and Jobs Act** used reconciliation to reduce the individual mandate penalty to \$0.
- Repealing or modifying a tax-based penalty is a **change in tax law** and affects revenue.

These provisions clearly pass Byrd scrutiny.

Section 5: Budget Offsets

This section:

- Caps the **tax exclusion for employer health coverage**.
- Repeals the **small business ACA tax credit**.
- Sunsets enhanced ACA subsidies on schedule.

Why this qualifies:

- These are all **explicit revenue-raising provisions** within the tax code.
- The employer exclusion (IRC §106) is the **largest tax expenditure in the federal budget** (~\$300B/year); capping it directly increases revenue.
- The small business tax credit (IRC §45R) is a scored tax expenditure.
- The ACA subsidy sunset is current law – it's just enforced here.

All three are tax-related, affect federal revenue directly, and **offset the cost of the new credit**, preserving **deficit neutrality**.

Section 6: Implementation, Severability, and Rulemaking

This section:

- Sets effective dates.
- Authorizes rulemaking.
- Includes a severability clause.

Why this qualifies:

- These are **common procedural provisions** found in reconciliation bills.
- They **do not violate** the Byrd Rule because they enable execution of budget provisions already deemed compliant.
- Rulemaking authority to **implement new tax credit systems or HSA rules** has been allowed in past reconciliation acts (e.g., ACA, 2017 TCJA).

As long as these do not create new entitlements or mandates unrelated to budget impact, they're allowed.

4. Legal Precedents That Support This Strategy

- **The ACA (2010):** Created §36B tax credits through reconciliation.
- **Medicare Modernization Act (2003):** Created HSAs and MSA-related reforms.
- **Tax Cuts and Jobs Act (2017):** Repealed the individual mandate penalty, changed income tax brackets, and adjusted many deductions — all via reconciliation.
- **GOP ACA Repeal Attempt (2017 AHCA):** Passed the House using reconciliation with age-based credits (like TrumpCare) and HSA expansion. Only failed in the Senate by 1 vote.

The TrumpCare bill is modeled on exactly these precedents: **revenue-side health policy embedded in tax law**.

5. What the Bill Avoids That Would Break Reconciliation Rules

-  No creation of a new federal agency.
-  No insurance regulations or mandates that don't change spending/revenue.
-  No provisions “merely incidental” to the budget (e.g., no insurance design rules, no new legal causes of action, no enforcement bureaus).
-  No Social Security changes (expressly forbidden in reconciliation).

All “soft” policy in the bill is **tied to spending/tax structure**, like defining what qualifies for a credit — which the ACA did and the Parliamentarian has previously accepted.

6. Bottom Line: Yes, It Passes with 51 Votes

This bill:

- **Creates a new tax credit system** (revenue outlay).
- **Modifies HSA tax exclusions** (revenue reduction).
- **Repeals and caps existing tax exclusions** (revenue increase).
- **Preserves deficit neutrality** via offsetting provisions.
- **Follows all Byrd Rule guardrails.**

Therefore, it is fully eligible to be passed through the budget reconciliation process, with no need for 60 votes — just a majority in the Senate and House.

If you'd like, I can next prepare:

- A “Senate Byrd Rule memo” justifying each section for Parliamentary staff.
- A markup-ready copy for congressional legal counsel.
- A one-pager for lawmakers titled: “Why This TrumpCare Bill Can Pass with 51 Votes.”

America First Health Care Reform Reconciliation Act of 2026

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 “**America First Health Care Reform Reconciliation Act of 2026.**”

Sec. 2. Age-Based Refundable Health Insurance Tax Credit.

(a) In General.— The Internal Revenue Code of 1986 is amended by inserting after section 36B the following new section:

“SEC. 36C. VOLUNTARY AGE-BASED HEALTH INSURANCE CREDIT.

(a) Allowance of Credit.— In the case of an eligible taxpayer, there shall be allowed as a credit against the tax imposed by this subtitle an amount equal to the sum of the applicable age-based credit amounts for all eligible individuals in the taxpayer’s household for the taxable year, **provided that** each such individual is covered under a qualified health plan for at least one month of that year. This credit shall be **refundable** and **payable in advance**, such that individuals can receive the benefit during the year to help pay for premiums.

(b) Eligible Individual.— For purposes of this section, the term ‘eligible individual’ means any individual who, as of the beginning of a month, is under 65 years of age, is a citizen or lawful resident of the United States, and is not enrolled in Medicare. An eligible individual **may be enrolled in any state-authorized individual health plan**— participation in this credit system is entirely voluntary.

(c) Qualified Health Plan Defined.— For purposes of this section, the term ‘qualified health plan’ means **any health insurance coverage** (including but not limited to major medical, catastrophic, short-term limited-duration, indemnity, or other individual policy) **that is**

authorized to be offered in the State in which the individual resides, whether or not such plan meets the requirements of section 1301 of the Patient Protection and Affordable Care Act (ACA)] . In other words, **any plan approved for sale under state law qualifies**, regardless of ACA compliance.

(d) Age-Based Credit Amounts.— The annual credit amount for each eligible individual shall be determined solely by the individual's age (on the first day of the taxable year), as follows:

- **Age 0–30:** \$3,000 per year;
- **Age 31–39:** \$3,500 per year;
- **Age 40–49:** \$4,500 per year;
- **Age 50–59:** \$5,500 per year;
- **Age 60–64:** \$6,400 per year.

These credit amounts are **uniform, flat amounts** available to all eligible individuals in the age band, regardless of income, employment, or health status. The credit for a partial year of coverage shall be prorated (1/12 of the annual amount per month of coverage). **Beginning in calendar year 2027**, the Secretary of the Treasury shall adjust the above dollar amounts for inflation (in an amount equal to the Consumer Price Index (CPI-U) increase for the prior year) to preserve the credit's purchasing power in future years.

(e) Use of Credit; HSA Deposit of Unused Amount.— An eligible taxpayer may apply the credit amounts under this section toward the **premiums of any qualified health plan** covering the taxpayer, spouse, or dependents. **If the credit amount exceeds the net cost of the chosen health plan for the year, any unused credit amount shall be deposited by the Secretary into a tax-advantaged Health Savings Account of the individual** (or the taxpayer's family, as applicable) **automatically**. Such **excess credit deposit** shall **not count toward the annual contribution limits for HSAs**, and shall remain available for the individual's future medical expenses. In the case of an individual who elects to purchase a plan with a premium lower than the credit, the full credit (or remaining balance) will be contributed to that individual's HSA **to encourage saving for future health needs**.

(f) Coordination and Election.— ****No Double Benefits:** ****An individual or household electing the credit under this section for a taxable year is not eligible to receive a premium tax credit under section 36B of the Internal Revenue Code or any cost-sharing reduction under section 1402 of the ACA for the same coverage period.** A taxpayer may **elect** to claim the age-based credit for a year in lieu of any subsidies otherwise available under the ACA for that year, thereby **opting into** the alternative credit model. The credit is **voluntary and optional** – individuals who prefer to remain on employer-sponsored insurance or ACA coverage may do so with no penalty. Nothing in this section shall be construed to **terminate or replace** benefits under the ACA for those who do not elect the age-based credit.

(g) Advance Payment and Administration.— The Secretary of the Treasury (in consultation with the Secretary of Health and Human Services) shall establish procedures for **advanced periodic payments** of the credit under this section, in a manner similar to the advance payment system for ACA premium credits. Such procedures shall allow individuals to assign their credit to an insurer or plan administrator to pay premiums, and to direct any excess credit amounts into an HSA. The advance payments will be reconciled on the individual's tax return after the close of the year, to ensure the correct credit based on age and coverage months. The Secretary may require reporting from insurers or HSA trustees as necessary to administer this credit.

(b) Conforming Amendments.— (1) Section 36C credits shall be treated as payments under section 6211(b)(4) of the Internal Revenue Code, and the reference to “section 36B” in section 6211(b)(4)(A) is amended to include “36C”. (2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code is amended by inserting “Sec. 36C. Voluntary age-based health insurance credit.” after the item relating to section 36B.

(c) Effective Date.— The age-based credit established by this section (Section 36C of the Code) shall **apply to taxable years beginning after December 31, 2025**, with advance payments available for plan coverage beginning on or after January 1, 2026.

Sec. 3. Expansion of Health Savings Account Eligibility and Usage.

(a) HSA-Compatible Coverage Expansion.— Section 223 of the Internal Revenue Code of 1986 (relating to Health Savings Accounts) is amended to expand eligibility and permitted coverage. **Notwithstanding any other provision of law, any health insurance plan legally offered in a state** (as described in Section 36C(c) above) **shall be treated as a “high deductible health plan” (HDHP) for purposes of HSA eligibility, without regard to its deductible amount or first-dollar coverage.** In particular:

1. **Waiver of Minimum Deductible Requirement:** Subparagraphs (A) and (C) of section 223(c)(2) (defining “high deductible health plan”) are amended by striking the minimum deductible amounts and inserting “\$0” in their place. **Any plan, regardless of deductible, shall qualify as an HDHP for HSA purposes**, so long as it is individual health insurance coverage authorized under state law.
2. **Removal of Restrictive Coverage Rules:** Section 223(c)(1)(A) (defining “eligible individual”) is amended by striking the requirement that an individual be covered “under a high deductible health plan” and by repealing subparagraph (B) (the disqualifications for other coverage). **Thus, having any other health coverage (including non-HDHP plans) will no longer disqualify an individual from HSA contributions.** An individual **enrolled in any type of state-approved individual health plan can contribute to an HSA** (or receive credit deposits to an HSA) under this Act.

These changes ensure that **any enrollee of any legal health plan can establish and contribute to an HSA**, aligning with the goal of maximizing flexibility and savings. Individuals will no longer be barred from HSA tax benefits merely because their insurance is not a traditional high-deductible plan, broadening access to HSAs for millions.

(b) Accommodating Credit Deposits Above Current Limits.— Section 223(b)(4) of the Internal Revenue Code (relating to the annual HSA contribution limitation) is amended by adding at the end: **“Contributions made by the Secretary under section 36C(e) (deposit of excess credit amounts) shall not count toward the dollar limitation under this paragraph.”** In other words, **any portion of the new age-based tax credit that is deposited into an individual’s HSA will not be subject to the normal annual contribution cap**, ensuring individuals can receive the full benefit of unused credits without penalty.

(c) Effective Date.— The amendments made by this section shall apply to **months after December 31, 2025**. Beginning with calendar year 2026, individuals covered by any health plan can open or contribute to HSAs under the expanded rules. These changes will enable people to **save and invest their unspent credit dollars** each year, building long-term health security.

Sec. 4. Voluntary Participation; No Mandates or Penalties.

(a) Freedom of Choice in Health Coverage.— Congress affirms that participation in the age-based tax credit system established by this Act is **strictly voluntary**. Nothing in this Act shall be construed to **mandate** that any individual drop their existing coverage or enroll in a new plan. **No person shall be required to abandon employer-sponsored insurance, ACA marketplace coverage, Medicaid, or any other form of health coverage** if they do not wish to. The age-based credits simply provide an **alternative option** for consumers who choose to take it.

(b) No Penalty for Non-Enrollment.— There shall be **no penalty, fine, or mandate** imposed on any individual for failing to maintain health coverage under this Act or any particular type of health insurance. Section 5000A of the Internal Revenue Code (the individual health coverage mandate) is hereby repealed, and any tax or penalty for not maintaining minimum essential coverage shall **remain \$0** (as is current law) for all future years. Likewise, no person or employer shall face any federal penalty or fee for choosing not to participate in the alternative credit system.

(c) Preservation of Existing Programs.— **All existing healthcare programs and subsidies remain in place for those who choose them.** This Act does **not repeal or replace the Affordable Care Act’s premium tax credits or Medicaid entitlements for those who do not opt into the new system.** Employers may continue to offer group health insurance benefits if they wish, and individuals may remain enrolled in job-based coverage or other plans as desired. The intention of Congress is that the new age-based credits operate as a **parallel, opt-in system**, gradually allowing a consumer-driven transition **without any loss of currently available coverage for those who prefer it.**

(d) Employer Coverage Offer Not Required.— Section 4980H of the Internal Revenue Code (the **employer shared responsibility mandate** for offering health coverage) is repealed effective January 1, 2026. Large employers will no longer be penalized under federal law for failing to offer health insurance. This change reinforces the voluntary nature of the new system: employers are ****free to continue offering coverage or to shift toward higher wages and HSA contributions, as market forces dictate, without a federal mandate.** Employers that do continue to provide group health plans remain eligible for all applicable tax deductions and may also contribute to employees’ HSAs as an alternative benefit.

(e) Notification of Choice.— The Secretary of the Treasury, in coordination with the Secretary of Labor and Secretary of Health and Human Services, shall conduct outreach to ensure that employers and individuals are notified of the new voluntary credit option. This includes guidance that employers may facilitate employees’ transition to the individual market (for example, by adjusting compensation or offering “defined contributions” toward HSAs) **on a voluntary basis**, and that individuals are free to choose the model that best fits their needs. Employees and

consumers shall be informed that they **will not be forced off their current coverage** by the federal government; any change is driven solely by personal choice and market preference.

Sec. 5. Deficit-Neutral Budgetary Offsets.

(a) Limitation on Employer Health Coverage Exclusion.— Section 106 of the Internal Revenue Code of 1986 (the exclusion from income for employer-provided health insurance) is amended by adding at the end the following new subsection:

“(d) Dollar Limitation on Exclusion.— In the case of any calendar year beginning after 2025, employer-provided coverage under an accident or health plan shall be excludable from an employee’s gross income under this section **only to the extent that the aggregate cost of such coverage does not exceed \$12,000 for self-only coverage or \$30,000 for family coverage for that employee (including any amount of employer contributions to an HSA or similar account).** If the cost of coverage for an employee exceeds the applicable dollar limit, the excess amount shall be included in the employee’s gross income for the taxable year. **The \$12,000 and \$30,000 annual limits shall be indexed for inflation (CPI-U) for years after 2026, rounded to the nearest \$50.**”

This provision **caps the tax-free benefit of employer-sponsored insurance** at a generous level, ensuring that extremely high-cost plans are subject to income tax like wages. By trimming the **open-ended tax subsidy** for employer plans (a subsidy that currently costs over \$300 billion annually), this change will both generate substantial revenue and discourage overly lavish health benefits that drive up costs. Employers remain free to offer rich benefits, but amounts above the cap will be treated as taxable compensation to employees, thereby **offsetting the budgetary cost of the new credits with savings from reduced tax exclusion.**

(b) Repeal of Redundant Subsidies and Credits.— (1) **Small Business Tax Credit:** Section 45R of the Internal Revenue Code (the tax credit for small employers purchasing employee health insurance through an exchange) is repealed in its entirety for years after 2025. Any unused carryforwards of such credit shall terminate. **This credit is largely underutilized and will be unnecessary** in light of the universal age-based credits which employees of small businesses can claim individually. Eliminating this overlapping subsidy provides a modest fiscal offset and simplifies the tax code.

2. **Sunsetting of Certain ACA Enhancements:** No further federal funds shall be appropriated for the temporary expansion of ACA premium tax credits beyond their current expiration (December 31, 2025). In other words, the “enhanced” subsidy levels enacted under the American Rescue Plan Act of 2021 (as extended) will **sunset as scheduled**, and ACA premium credits will revert to pre-2021 law after 2025. This ensures no double-subsidization of individuals who will now be eligible for the flat age-based credits. (This does **not** eliminate ACA subsidies for those who remain on that system; it merely allows the temporary extra payments to lapse on schedule, avoiding new costs.)

3. **Rescission of Unobligated Funds:** The Director of the Office of Management and Budget shall identify any unobligated balances as of enactment of this Act in the Patient Protection and Affordable Care Act’s consumer outreach, risk adjustment, or other grant programs that are

duplicative of the functions of the new credit. Such funds, if any, shall be rescinded and credited to the general fund to further offset costs.

(c) Certification of Budget Neutrality.— The Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) shall, upon this Act’s consideration, certify that the net effect of this Act **does not increase the federal deficit over the applicable budget window**, in compliance with the reconciliation instructions and the Senate’s “Byrd Rule.” The committees of jurisdiction have designed these provisions such that the **savings from subsection (a)’s cap on the tax exclusion and the repeal of redundant subsidies in subsection (b) will fully offset the cost** of the age-based credits and HSA enhancements. In the event that future projections show a deficit increase attributable to this Act, the Secretary of the Treasury is authorized and directed to adjust the credit amounts, phase-ins, or the employer exclusion limits as necessary to maintain deficit neutrality, consistent with section 313 of the Congressional Budget Act of 1974.

(d) Purpose and Intention.— The offsets in this section demonstrate a commitment to fiscal responsibility. By asking the **most generous employer health plans** (which largely benefit higher-income workers) to bear a portion of the cost through the tax code, and by **streamlining duplicative health subsidies**, Congress is financing the new universal age-based credits in a fair and sustainable manner. The result is a reallocation of existing health spending and tax benefits toward a simpler, more equitable system without increasing federal deficits.

Sec. 6. General Provisions and Effective Dates.

(a) Effective Date of Coverage Credits.— The provisions of Section 2 of this Act (creating the age-based tax credit under IRC §36C) shall take effect for **plan years and taxable years beginning on or after January 1, 2026**. The first advance payments of credits will be available for health insurance coverage beginning January 2026, and the credit can be claimed on 2026 tax returns (filed in 2027) and thereafter.

(b) HSA Reforms Effective Date.— The amendments made by Section 3 (HSA expansion) shall take effect for **coverage months and tax years beginning on or after January 1, 2026**. This means individuals can begin contributing to HSAs under the new rules, and receiving automatic credit deposits, in 2026.

(c) Repeal of Mandates.— Section 4(d) (repeal of IRC §4980H employer mandate) shall be effective for **months beginning after December 31, 2025** (thus, no employer shared-responsibility assessments will apply for 2026 and beyond). Section 4(b) (repeal of the individual mandate in §5000A) takes effect upon enactment, affirming that the individual mandate penalty remains \$0 in all future years.

(d) Offset Provisions.— The cap on the employer exclusion in Section 5(a) shall apply to **taxable years beginning after December 31, 2025**. The repeal of the small business credit in Section 5(b)(1) applies to **amounts paid or accrued after December 31, 2025** (with any credits for prior years unaffected). Section 5(b)(2) (sunsetting enhanced ACA credits) simply enforces current law sunset as of **the end of 2025**. Rescissions under 5(b)(3) shall be effective upon enactment.

(e) Severability.— If any provision of this Act, or any amendment made by it, or the application of any provision to any person or circumstance is held to be invalid or contrary to reconciliation rules, the remainder of the Act and amendments made by it shall not be affected. The provisions of this Act are intended to be **within Congress’s budgetary powers** and thus severable to the extent necessary to preserve the Act’s core purposes.

(f) Rulemaking Authority.— The Secretary of the Treasury and Secretary of Health and Human Services shall promulgate such regulations, forms, and guidance as may be necessary to implement the provisions of this Act in a timely manner. This includes establishing a mechanism for advance credit payments outside of ACA Exchanges, facilitating the transfer of funds to HSAs, and informing taxpayers of their new options. **In issuing rules, the Secretaries shall ensure consistency with the goal of expanding consumer choice without new mandates or bureaucracy.**

(g) Conclusion.— Through this Act, Congress provides a **national, voluntary alternative** to the ACA and employer-based systems, empowering individuals with a universal, age-based credit that they can use for **any health plan of their choice or save for future care**. No one is forced into this new system, but everyone under 65 will have the option to take a straightforward credit and join a truly free individual market. Over time, as Americans gravitate to plans that meet their needs and **keep the savings they earn**, we anticipate a natural, voluntary migration toward this model – **improving affordability, portability, and personal control** in healthcare without mandates or government coercion. Congress intends that this reform, enacted through the budget reconciliation process, shall **streamline health financing, reduce hidden subsidies, and enhance patient-centered care** – all while maintaining fiscal discipline and respecting consumer choice.

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