

**STATEMENT OF THE HONORABLE DANNY K. DAVIS
AT THE SUBCOMMITTEE ON CIVIL SERVICE
AND AGENCY ORGANIZATION
HEARING ON**

H.R. 1231, To amend the IRS Code of 1986 to allow Federal civilian and military retirees to pay health insurance premiums on a pretax basis and to allow a deduction for TRICARE supplemental premiums.

Wednesday, July 9, 2003

In October 2001, President Clinton directed the Office of Personnel Management (OPM) to implement a health insurance premium conversion plan for executive branch employees participating in the Federal employee Health Benefits Program (FEHBP).

Under the plan, employees' FEHB premium withholdings are treated as a pre-tax salary deduction. Because premium conversion lowers employees' taxable income, it reduces their tax burden. The reduction in taxable income reduces the base for federal income tax, Social Security and Medicare taxes, and, in most states and localities, state and local tax based on income.

In January 2001, the premium conversion benefit was extended to legislative branch employees. H.R. 1231 would extend the benefit to federal civilian annuitants and the Tricare premiums paid by members of former members of the Uniformed Services.

As a cosponsor of the legislation, I am pleased to see that the Subcommittee intends to markup the legislation next week.

I look forward to hearing the testimony of today's witnesses.