

HOUSE BILL No. 4279

February 22, 1989, Introduced by Reps. Law, Camp, Van Singel, DeLange, Sparks, Middaugh, Nye, Emmons, Allen, Bandstra, Miller, Fitzgerald, Runco, Bankes, Hillegonds, Kosteva, DeMars, Munsell and Willis Bullard and referred to the Committee on Corporations and Finance.

A bill to permit the establishment and maintenance of individual medical accounts; and to prescribe the requirements of and restrictions on individual medical accounts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known as the "individual medical
2 account act".

3 Sec. 2. As used in this act:

4 (a) "Account holder" means the individual for whom an indi-
5 vidual medical account is established.

6 (b) "Dependent child" means a child of the account holder
7 who is any of the following:

8 (i) Under 18 years of age.

9 (ii) Legally entitled to the provision of proper or
10 necessary subsistence, education, medical care, or other care
11 necessary for his or her health, guidance, or well-being and not

1 otherwise emancipated, self-supporting, married, or a member of
2 the armed forces of the United States.

3 (iii) Mentally or physically incapacitated to the extent
4 that he or she is not self-sufficient.

5 (c) "Individual medical account" means a trust established
6 in this state to pay the eligible medical, dental, and long-term
7 care expenses of the account holder.

8 (d) "Trustee" means a state chartered bank, savings and loan
9 association, credit union, or trust company authorized to act as
10 fiduciary and under the supervision of the financial institutions
11 bureau of the department of commerce; a national banking associa-
12 tion or federal savings and loan association or credit union
13 authorized to act as fiduciary in this state; or an insurance
14 company.

15 Sec. 3. (1) For taxable years beginning after December 31,
16 1988, a resident individual may establish an individual medical
17 account for the individual or for the individual's spouse or
18 dependent child. Total contributions to an account for a calen-
19 dar year shall not exceed \$2,000.00. The trustee shall return to
20 the person making the contribution a contribution or portion of a
21 contribution that would increase the total contribution for a
22 calendar year to more than \$2,000.00.

23 (2) Principal contributed and interest earned on an individ-
24 ual medical account is exempt from taxation as income as provided
25 in section 30 of the income tax act of 1967, Act No. 281 of the
26 Public Acts of 1967, being section 206.30 of the Michigan
27 Compiled Laws.

1 (3) Upon agreement between an employer and employee, an
2 employee may either have his or her employer contribute to the
3 employee's individual medical account or continue to make contri-
4 butions under the employer's existing health insurance policy or
5 program, subject, however, to the restrictions in section 5.

6 Sec. 4. An individual medical account shall be established
7 as a trust under the laws of Michigan and placed with a trustee.
8 The trustee or the account holder shall purchase major medical
9 coverage for the account holder to cover all medical, dental, and
10 long-term care expenses in excess of \$10,000.00 annually. Except
11 for the purchase of major medical coverage, the trustee shall
12 utilize the trust assets solely for the purpose of paying the
13 medical, dental, and long-term care expenses of the account
14 holder.

15 Sec. 5. An account holder is responsible for the first
16 \$100.00 of medical, dental, or long-term care expenses incurred
17 per taxable year. After payment of the first \$100.00, the
18 account holder shall submit the balance of the medical, dental,
19 and long-term care expenses incurred to the trustee for
20 reimbursement.

21 Sec. 6. (1) An account holder may withdraw money from his
22 or her individual medical account at any time for any purpose
23 subject to all of the following:

24 (a) If the account holder is younger than 59 years and 6
25 months of age or withdraws money for a purpose not listed in sub-
26 division (c), the amount of the withdrawal shall be considered
27 income and the account holder shall pay a penalty of 10% of the

1 amount of interest earned on the account up to the date of the
2 withdrawal as provided in section 30 of the income tax act of
3 1967, Act No. 281 of the Public Acts of 1967, being section
4 206.30 of the Michigan Compiled Laws.

5 (b) Interest earned on the account during the tax year in
6 which a withdrawal under subdivision (a) occurs shall be consid-
7 ered income as provided in section 30 of the income tax act of
8 1967, Act No. 281 of the Public Acts of 1967.

9 (c) If the account holder is 59 years and 6 months of age or
10 older, a withdrawal may be made for medical, dental, or long-term
11 care without penalty and shall not be considered income for pur-
12 poses of the income tax act of 1967, Act No. 281 of the Public
13 Acts of 1967, being sections 206.1 to 206.532 of the Michigan
14 Compiled Laws.

15 (2) Upon the death of the account holder, the trustee shall
16 distribute the principal and accumulated interest of the individ-
17 ual medical account to the account holder's estate.

18 Sec. 9. This act shall not take effect unless Senate Bill
19 No. _____ or House Bill No. 4280 (request no. 00827'89 a) of the
20 85th Legislature is enacted into law.