

INCOME TAX CREDIT FOR HEALTH PREMIUMS FOR TAXPAYER WHO IS A NEW BUSINESS

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House Bill 4619

Sponsor: Rep. Andy Meisner

Committee: Commerce

Complete to 4-23-07

A SUMMARY OF HOUSE BILL 4619 AS INTRODUCED 4-19-07

The bill would amend the Income Tax Act to provide a tax credit to new small businesses based on premiums paid for health benefit plans. The credit could only be claimed for the first two years of operation of the new business. The amount of the credit would be equal to the premiums paid in the tax year for an eligible health benefit plan "for the taxpayer or the taxpayer's immediate family," up to a maximum of \$1,000 per year per new business. (Presumably, the credit is for premiums paid for coverage for small business owners and their families.) The credit would not be refundable; that is, it could not exceed the taxpayer's liability.

Eligible Businesses. To be eligible as a new business under the bill, a business would have to be certified annually by the Michigan Economic Development Corporation (MEDC) as meeting all of the following criteria:

- Has fewer than 25 full-time equivalent employees.
- Has sales of less than \$1 million in the tax year for which the credit is claimed.
- Is not publicly traded.
- Met one of the following criteria during one of the initial two consecutive tax years in which the business had no business income:
 - ** During one of the immediately preceding seven years was in one of the first two years of contribution liability under the Michigan Employment Security Act.
 - ** During the immediately preceding seven years would have been in one of the first two years of contribution liability if it had had employees and had been liable under the Michigan Employee Security Act.
 - ** During the immediately preceding seven years would have been in one of the first two years of contribution liability if it had not assumed successor liability.

Eligible Health Plan. This term would be defined to refer to any individual or group contract, policy, or certificate of health, accident, and sickness insurance or coverage issued by a commercial health insurance company, a health maintenance organization, or by Blue Cross and Blue Shield of Michigan (all of which are referred to as a "carrier").

The term would not apply to a policy covering only dental, vision, specified accident or accident-only coverage, credit, disability income, hospital indemnity, long-term care insurance, Medicare supplement, liability supplemental, and specified disease insurance purchased as a supplement and not as a substitute for an eligible health benefit plan. The term also would not include workers compensation coverage or benefits, automobile medical payment insurance, or Medicare.

MCL 206.273

FISCAL IMPACT:

The fiscal impact of House Bill 4619 depends on the number of new small businesses, the number that purchase health benefit plans and the premiums paid. This non refundable credit would reduce income tax revenue by under an estimated \$7 million on an annual basis. To the extent this credit would be taken through income tax refunds, the estimated fiscal impact would primarily affect General Fund/General Purpose revenue, but could also minimally affect the School Aid Fund. This bill would have no direct fiscal impact on local units of government.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.