

**SUBSTITUTE FOR
SENATE BILL NO. 1016**

A bill to amend 1967 PA 281, entitled
"Income tax act of 1967,"
by amending section 635 (MCL 206.635), as amended by 2018 PA 31.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 635. (1) Except as otherwise provided under subsection
2 (4) or (6), each insurance company shall pay a tax determined under
3 this chapter.
4 (2) The tax imposed by this chapter on each insurance company
5 shall be a tax equal to 1.25% of gross direct premiums written on
6 property or risk located or residing in this state. **HOWEVER,**
7 **BEGINNING ON JANUARY 1, 2019, FOR GROSS DIRECT PREMIUMS**
8 **ATTRIBUTABLE TO QUALIFIED HEALTH INSURANCE POLICIES THE TAX IMPOSED**
9 **SHALL BE A TAX EQUAL TO 0.95% THROUGH DECEMBER 31, 2019, AND FOR**
10 **THE 2020 TAX YEAR AND EACH TAX YEAR AFTER 2020, THE TAX RATE FOR**

1 THOSE GROSS DIRECT PREMIUMS ATTRIBUTABLE TO QUALIFIED HEALTH
2 INSURANCE POLICIES SHALL BE DETERMINED AS PROVIDED UNDER SUBSECTION

3 (7). Direct premiums do not include any of the following:

4 (a) Premiums on policies not taken.

5 (b) Returned premiums on canceled policies.

6 (c) Receipts from the sale of annuities.

7 (d) Receipts on reinsurance premiums if the tax has been paid
8 on the original premiums.

9 (e) The first \$190,000,000.00 of disability insurance premiums
10 written in this state, other than credit insurance and disability
11 income insurance premiums, of each insurance company subject to tax
12 under this chapter. This exemption shall be reduced by \$2.00 for
13 each \$1.00 by which the insurance company's gross direct premiums
14 from insurance carrier services in this state and outside this
15 state exceed \$280,000,000.00.

16 (3) The tax calculated under this chapter is in lieu of all
17 other privilege or franchise fees or taxes imposed by this part or
18 any other law of this state, except taxes on real and personal
19 property, taxes collected under the general sales tax act, 1933 PA
20 167, MCL 205.51 to 205.78, and taxes collected under the use tax
21 act, 1937 PA 94, MCL 205.91 to 205.111, and except as otherwise
22 provided in the insurance code of 1956, 1956 PA 218, MCL 500.100 to
23 500.8302.

24 (4) The tax imposed and levied under this chapter does not
25 apply to an insurance company authorized under chapter 46 or 47 of
26 the insurance code of 1956, 1956 PA 218, MCL 500.4601 to 500.4673
27 and 500.4701 to 500.4747.

1 (5) For a taxpayer subject to the tax imposed under chapter
2 11, that portion of the tax base attributable to the services
3 provided by an attorney-in-fact to a reciprocal insurer pursuant to
4 chapter 72 of the insurance code of 1956, 1956 PA 218, MCL 500.7200
5 to 500.7234, is exempt from the tax imposed by that chapter.

6 (6) The tax imposed and levied under this chapter does not
7 apply to a health maintenance organization authorized under chapter
8 35 of the insurance code of 1956, 1956 PA 218, MCL 500.3501 to
9 500.3573.

10 (7) BY OCTOBER 1, 2020 AND EACH OCTOBER 1 THEREAFTER, THE
11 DEPARTMENT SHALL DETERMINE THE TAX RATE TO BE IMPOSED ON GROSS
12 DIRECT PREMIUMS ATTRIBUTABLE TO QUALIFIED HEALTH INSURANCE POLICIES
13 FOR THAT CALENDAR YEAR AS FOLLOWS:

14 (A) CALCULATE THE TOTAL LIABILITY FOR ALL TAXPAYERS AFTER ALL
15 CREDITS FOR QUALIFIED HEALTH INSURANCE POLICIES UNDER THIS CHAPTER
16 AND SECTION 476A OF THE INSURANCE CODE OF 1956, 1956 PA 218, MCL
17 500.476A, FOR THE PRIOR CALENDAR YEAR.

18 (B) CALCULATE THE TOTAL LIABILITY FOR ALL TAXPAYERS AFTER ALL
19 CREDITS FOR QUALIFIED HEALTH INSURANCE POLICIES UNDER THIS CHAPTER
20 AT A RATE OF 1.25% AND SECTION 476A OF THE INSURANCE CODE OF 1956,
21 1956 PA 218, MCL 500.476A, FOR THE PRIOR CALENDAR YEAR.

22 (C) DETERMINE THE ACTUAL AMOUNT OF SAVINGS FOR THE PRIOR YEAR
23 AS A RESULT OF THE RATE REDUCTION UNDER SUBSECTION (2) BY
24 SUBTRACTING THE AMOUNT DETERMINED UNDER SUBDIVISION (A) FROM THE
25 AMOUNT DETERMINED UNDER SUBDIVISION (B) .

26 (D) DETERMINE THE AMOUNT OF SAVINGS ABOVE THE SAVINGS LIMIT
27 FOR THE PRIOR CALENDAR YEAR, BY SUBTRACTING \$18,000,000.00 FROM THE

1 AMOUNT DETERMINED UNDER SUBDIVISION (C) .

2 (E) DETERMINE THE CURRENT YEAR SAVINGS LIMIT BY SUBTRACTING
3 THE SUM OF THE AMOUNTS DETERMINED UNDER SUBDIVISION (D) FOR EACH
4 CALENDAR YEAR BEGINNING ON AND AFTER JANUARY 1, 2019 FROM
5 \$18,000,000.00 .

6 (F) CALCULATE THE RATE REDUCTION FOR THE CURRENT CALENDAR YEAR
7 BY DIVIDING THE AMOUNT DETERMINED UNDER SUBDIVISION (E) BY THE
8 AMOUNT OF PRIOR YEAR GROSS DIRECT PREMIUMS ATTRIBUTABLE TO
9 QUALIFIED HEALTH INSURANCE POLICIES WRITTEN BY TAXPAYERS WITH NO
10 LIABILITY UNDER SECTION 476A OF THE INSURANCE CODE OF 1956, 1956 PA
11 218, MCL 500.476A, FOR THE PRIOR CALENDAR YEAR.

12 (G) CALCULATE THE TAX RATE FOR THE CURRENT CALENDAR YEAR BY
13 SUBTRACTING THE AMOUNT DETERMINED UNDER SUBDIVISION (F) FROM
14 0.0125 .

15 (8) THE STATE TREASURER SHALL DEVELOP A METHOD TO ACCOUNT FOR
16 CHANGES IN TAX LIABILITY OCCURRING AFTER THE CALCULATION OF THE
17 IMMEDIATELY SUCCEEDING CALENDAR YEAR'S RATE .

18 (9) AS USED IN THIS SECTION, "QUALIFIED HEALTH INSURANCE
19 POLICIES" MEANS POLICIES WRITTEN ON RISK LOCATED OR RESIDING IN
20 THIS STATE THAT ARE 1 OF THE FOLLOWING TYPES OF POLICIES :

21 (A) COMPREHENSIVE MAJOR MEDICAL, REGARDLESS OF WHETHER THE
22 POLICY IS ELIGIBLE FOR A HEALTH SAVINGS ACCOUNT OR PURCHASED ON THE
23 HEALTH INSURANCE MARKETPLACE .

24 (B) STUDENT .

25 (C) CHILDREN'S HEALTH INSURANCE PROGRAM .

26 (D) MEDICAID .

27 (E) EMPLOYER COMPREHENSIVE, REGARDLESS OF WHETHER THE POLICY

1 IS ELIGIBLE FOR A HEALTH SAVINGS ACCOUNT OR PURCHASED ON THE HEALTH
2 INSURANCE MARKETPLACE.

3 (F) MULTIPLE EMPLOYER ASSOCIATIONS OR TRUSTS AND ANY OTHER
4 EMPLOYER ASSOCIATIONS AND TRUSTS.