

# HOUSE BILL No. 4703

April 16, 1991, Introduced by Reps. Law, Dalman, Dresch, Shugars, Dolan, Bankes, Bandstra and Fitzgerald and referred to the Committee on Taxation.

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 1990, 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 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. 4705 (request no. 02555'91 a) of the  
20 86th Legislature is enacted into law.