



HOUSE BILL No. 4733

May 6, 1993, Introduced by Reps. Whyman and Hill 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 and may be cited as the
2 "individual medical account act".

3 Sec. 2. As used in this act:

4 (a) "Account holder" means the individual for whose benefit
5 an individual medical account is established.

6 (b) "Dependent child" means a child of an account holder if
7 the child 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) "Domicile" means a place where an individual has his or
6 her true, fixed, and permanent home and principal establishment,
7 to which, whenever absent, he or she intends to return. Domicile
8 continues until another permanent home or principal establishment
9 is established.

10 (d) "Individual medical account" means a trust established
11 in this state to pay the eligible medical, dental, and long-term
12 care expenses of an account holder.

13 (e) "Resident individual" means an individual who has a dom-
14 icile in this state.

15 (f) "Trustee" means a state chartered bank, savings and loan
16 association, credit union, or trust company authorized to act as
17 fiduciary and under the supervision of the financial institutions
18 bureau of the department of commerce; a national banking associa-
19 tion or federal savings and loan association or credit union
20 authorized to act as fiduciary in this state; or an insurance
21 company.

22 Sec. 3. (1) For the 1993 tax year and each tax year after
23 1993, a resident individual may establish an individual medical
24 account for himself or herself or for his or her spouse or depen-
25 dent child. Total contributions to an account for a calendar
26 year shall not exceed \$2,000.00. The trustee shall return a
27 contribution or portion of a contribution that would increase the

1 total contribution for a calendar year to more than \$2,000.00 to
2 the person making the contribution.

3 (2) Principal contributed and interest earned on an individ-
4 ual medical account is exempt from taxation under the income tax
5 act of 1967, Act No. 281 of the Public Acts of 1967, being
6 sections 206.1 to 206.532 of the Michigan Compiled Laws.

7 (3) Upon agreement between an employer and employee, an
8 employee may have his or her employer either contribute to the
9 employee's individual medical account subject to the restrictions
10 in section 5 or continue to make contributions under the
11 employer's existing health insurance policy or program.

12 Sec. 4. An individual medical account shall be established
13 as a trust under the laws of this state and accepted as a trust
14 by a trustee. Except for the purchase of major medical coverage,
15 the trustee shall utilize the trust assets solely to pay the med-
16 ical, dental, and long-term care expenses of the account holder.
17 The trustee or the account holder shall purchase major medical
18 coverage for the account holder to cover all medical, dental, and
19 long-term care expenses that exceed \$10,000.00 annually.

20 Sec. 5. An account holder is responsible for the first
21 \$100.00 of medical, dental, or long-term care expenses incurred
22 in each tax year. After payment of the first \$100.00, the
23 account holder may submit the balance of the medical, dental, and
24 long-term care expenses paid in the tax year to the trustee for
25 reimbursement.

1 Sec. 6. (1) An account holder may withdraw money from his
2 or her individual medical account at any time for any purpose
3 subject to the requirements of this section.

4 (2) If the account holder withdraws money and is younger
5 than 59 years and 6 months of age or withdraws money for a pur-
6 pose not listed in subsection (3), all of the following apply:

7 (a) The amount of the withdrawal is considered income in the
8 tax year of the withdrawal.

9 (b) The account holder shall pay a penalty of 10% of the
10 amount of interest earned on the account up to the date of the
11 withdrawal.

12 (c) Interest earned on the account during the tax year in
13 which a withdrawal is made is income for purposes of the income
14 tax act of 1967, Act No. 281 of the Public Acts of 1967, being
15 sections 206.1 to 206.532 of the Michigan Compiled Laws.

16 (3) If the account holder is 59 years and 6 months of age or
17 older, a withdrawal may be made for medical, dental, or long-term
18 care without penalty and shall not be considered income for pur-
19 poses of Act No. 281 of the Public Acts of 1967.

20 (4) Upon the death of the account holder, the trustee shall
21 distribute the principal and accumulated interest of the individ-
22 ual medical account to the estate of the account holder.

23 Sec. 7. This act shall not take effect unless Senate Bill
24 No. _____ or House Bill No. 4593 (request no. 01502'93) of the
25 87th Legislature is enacted into law.