



SENATE BILL No. 925

November 2, 1993, Introduced by Senators PRIDNIA, EHLERS,
CARL, GEAKE, EMMONS, GAST, GOUGEON, DUNASKISS and
ARTHURHULTZ and referred to the Committee on Commerce

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" or "individual medical account" means a trust
5 established in this state to pay the eligible medical, dental,
6 and long-term care expenses of an account holder

7 (b) "Account holder" means the individual for whose benefit
8 an individual medical account is established

9 (c) "Dependent child" means a child of an account holder if
10 the child is any of the following

1 (1) Under 18 years of age

2 (11) Legally entitled to the provision of proper or
3 necessary subsistence, education, medical care, or other care
4 necessary for his or her health, guidance, or well-being and not
5 otherwise emancipated, self-supporting, married, or a member of
6 the armed forces of the United States

7 (111) Mentally or physically incapacitated to the extent
8 that he or she is not self-sufficient

9 (d) "Domicile" means a place where an individual has his or
10 her true, fixed, and permanent home and principal establishment,
11 to which, whenever absent, he or she intends to return Domicile
12 continues until another permanent home or principal establishment
13 is established

14 (e) "Resident individual" means an individual who has a dom-
15 icle in this state

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

23 Sec 3 (1) For the 1993 tax year and each tax year after
24 1993, a resident individual may establish an individual medical
25 account for himself or herself or for his or her spouse or depen-
26 dent child Total contributions to an account for a calendar
27 year shall not exceed \$2,000 00 The trustee shall return a

1 contribution or portion of a contribution that would increase the
2 total contribution for a calendar year to more than \$2,000 00 to
3 the person making the contribution

4 (2) Principal contributed and interest earned on an individ-
5 ual medical account is exempt from taxation under the income tax
6 act of 1967, Act No 281 of the Public Acts of 1967, being
7 sections 206 1 to 206 532 of the Michigan Compiled Laws

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

13 Sec 4 An individual medical account shall be established
14 as a trust under the laws of this state and accepted as a trust
15 by a trustee Except for the purchase of major medical coverage,
16 the trustee shall utilize the trust assets solely to pay the med-
17 ical, dental, and long-term care expenses of the account holder
18 The trustee or the account holder shall purchase major medical
19 coverage for the account holder to cover all medical, dental and
20 long-term care expenses that exceed \$10 000 00 annually

21 Sec 5 An account holder is responsible for the first
22 \$100 00 of medical, dental, or long-term care expenses incurred
23 in each tax year After payment of the first \$100 00, the
24 account holder may submit the balance of the medical, dental, and
25 long-term care expenses paid in the tax year to the trustee for
26 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

(2) If the account holder is younger than 59 years and 6 months of age or withdraws money for a purpose not listed in subsection (2), 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 is
13 income for purposes of the income tax act of 1967, Act No 281 of
14 the Public Acts of 1967, being sections 206 1 to 206 532 of the
15 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 the income tax act of 1967, Act No 281 of the Public
20 Acts of 1967, being sections 206 1 to 206 532 of the Michigan
21 Compiled Laws

(4) Upon the death of the account holder, the trustee shall distribute the principal and accumulated interest of the individual medical account to the estate of the account holder

25 Sec 7 This act shall not take effect unless Senate Bill
26 No 926 of the
27 87th Legislature is enacted into law