

**SENATE BILL NO. 240**

February 3, 1999, Introduced by Senators SHUGARS, STEIL, GOUGEON, HOFFMAN, GOSCHKA, DUNASKISS and JAYE and referred to the Committee on Health Policy.

A bill to permit the establishment and maintenance of long-term care insurance savings accounts; to provide for certain tax deductions; to prescribe the requirements of and restrictions on long-term care insurance savings accounts; and to provide penalties and remedies.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 1. This act shall be known and may be cited as the  
2 "long-term care insurance savings account act".

3       Sec. 2. As used in this act:

4       (a) "Account administrator" means any of the following:

5       (i) A state chartered bank, savings and loan association,  
6 credit union, or trust company authorized to act as fiduciary and  
7 under the supervision of the financial institutions bureau of the  
8 department of commerce; or a national banking association or

1 federal savings and loan association or credit union authorized  
2 to act as fiduciary in this state.

3 (ii) An insurance company authorized to do business in this  
4 state pursuant to the insurance code of 1956, 1956 PA 218, MCL  
5 500.100 to 500.8302, or a health care corporation operating pur-  
6 suant to the nonprofit health care corporation reform act, 1980  
7 PA 350, MCL 550.1101 to 550.1704.

8 (iii) A broker-dealer, commodity issuer, or investment advi-  
9 sor registered pursuant to the uniform securities act, 1964 PA  
10 265, MCL 451.501 to 451.818, or a federal investment company reg-  
11 istered under the investment company act of 1940, title I of  
12 chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-64.

13 (iv) A third party administrator with a current certificate  
14 of authority issued pursuant to the third party administrator  
15 act, 1984 PA 218, MCL 550.901 to 550.962.

16 (v) A certified public accountant licensed to practice in  
17 this state pursuant to article 7 of the occupational code, 1980  
18 PA 299, MCL 339.720 to 339.736.

19 (b) "Account holder" means the resident who establishes an  
20 account or for whose benefit an account is established.

21 (c) "Dependent" means the spouse of an account holder or a  
22 child of an account holder if the child is any of the following:

23 (i) Under 23 years of age and enrolled as a full-time stu-  
24 dent at an accredited college or university or under 19 years of  
25 age.

26 (ii) Legally entitled to the provision of proper or  
27 necessary subsistence, education, medical care, or other care

1 necessary for his or her health, guidance, or well-being and not  
2 otherwise emancipated, self-supporting, married, or a member of  
3 the armed forces of the United States.

4 (iii) Mentally or physically incapacitated to the extent  
5 that he or she is not self-sufficient.

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

11 (e) "Long-term care insurance" means a long-term care  
12 policy, certificate, or rider issued by an insurer pursuant to  
13 the insurance code of 1956, 1956 PA 218, MCL 500.100 to  
14 500.8302.

15 (f) "Long-term care insurance savings account" or "account"  
16 means an account established in this state to pay premiums to  
17 purchase long-term care insurance for the benefit of an account  
18 holder or the dependents of an account holder.

19 (g) "Resident" means an individual whose domicile is in this  
20 state.

21 Sec. 3. For the 1999 tax year and each tax year after the  
22 1999 tax year, a resident may establish an account for himself or  
23 herself or for his or her dependents.

24 Sec. 4. (1) An account administrator shall administer the  
25 account from which the payment of premiums for long-term care  
26 insurance is made and has a fiduciary duty to the person for  
27 whose benefit the account administrator administers the account.

1 (2) The account administrator shall utilize the funds held  
2 in an account solely to pay the premiums for long-term care  
3 insurance for the account holder or his or her dependents or to  
4 reimburse the account holder for premiums paid by that account  
5 holder.

6 (3) If the account holder seeks reimbursement, the account  
7 holder shall submit documentation of the premiums paid by the  
8 account holder in the tax year to the account administrator and  
9 the account administrator shall reimburse the account holder from  
10 the account holder's account.

11 Sec. 5. (1) Subject to subsection (2), if an account holder  
12 withdraws money for any purpose other than to pay premiums to  
13 purchase long-term care insurance, the account administrator  
14 shall withhold from the amount of the withdrawal and on behalf of  
15 the account holder shall pay a penalty to the department of trea-  
16 sury equal to 10% of the amount of the withdrawal.

17 (2) The amount of a disbursement of any assets of an account  
18 pursuant to a filing for protection under title 11 of the United  
19 States Code, 11 U.S.C. 101 to 1330, by an account holder or  
20 dependent of the account holder is not considered a withdrawal  
21 for purposes of this section.

22 (3) Upon the death of the account holder, the account admin-  
23 istrator shall distribute the principal and accumulated interest  
24 of the account to the estate of the account holder.

25 Enacting section 1. This act shall not take effect unless  
26 Senate Bill No. 241

27 of the 90th Legislature is enacted into law.