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Senate Bill 490 (Substitute S-1 as reported)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Finance

## **CONTENT**

The bill would amend the Single Business Tax (SBT) Act to exempt from the tax that portion of the tax base attributable to a multiple employer welfare arrangement (MEWA) that provided dental benefits only and had obtained a certificate of authority under Chapter 70 of the Insurance Code. The exemption would apply to tax years beginning after December 31, 2000.

(Under Chapter 70 of the Insurance Code, employers may provide health care and other benefits through MEWAs. Unless the plan is fully insured, Chapter 70 prohibits a person from establishing an MEWA without a certificate of authority from the Commissioner of the Office of Financial and Insurance Services (OFIS).)

MCL 208.35

Legislative Analyst: G. Towne

## **FISCAL IMPACT**

Based on current activity, the bill would reduce General Fund revenues by less than \$29,000. At the end of 1999, the Michigan Insurance Bureau had authorized eight MEWAs. Multiple employer welfare arrangements may provide a wide variety of services beyond the dental services identified in the bill, including, for example, medical-related benefits, disability benefits, and vacation benefits. The eight authorized MEWAs reported \$16.9 million in direct premiums written during 1999. Under the SBT Act, the first \$180 million in each company's premiums for disability insurance is exempt. The percentage of MEWA receipts attributable to providing disability insurance is unknown, as is the share related to dental services. Only one of the eight authorized MEWAs is known to provide dental services, and none of its premiums cover services other than dental services. If only the one MEWA known to provide dental services would be affected by the bill, then General Fund revenues under the insurance portion of the SBT would be reduced by about \$11,000.

The bill would restrict the exemption to business activity solely associated with an MEWA that only provided dental services. As a result, any MEWA that provided any nondental services still would be taxed under the Act. The bill would not allow such taxpayers simply to exclude that portion of the tax base attributable to premiums for providing dental benefits.

As worded, the bill also would exempt from an employer's SBT liability premiums the employer had paid to an MEWA for dental services as long as the MEWA only provided dental services. For the one known dental-only MEWA, this exemption would reduce General Fund revenues under the noninsurance portion of the SBT by as much as an additional \$18,000. Because the number of participants in the affected MEWA is small, many of the employers likely exhibit little or no SBT liability and the \$18,000 impact likely represents an upper bound. The bill would not exempt other components of an employer's tax base or exempt the MEWAs from regulatory fees paid to the OFIS.

The bill would not have any fiscal impact on local units.

Date Completed: 5-23-01

Fiscal Analyst: D. Zin