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BILL ANALYSIS

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House Bill 5457 (Substitute H-1 as passed by the House)
House Bill 5458 (Substitute H-1 as passed by the House)
Sponsors: Representative Jon Bumstead (H.B. 5457)
Representative Earl Poleski (H.B. 5458)
House Committee: Government Operations
Senate Committee: Appropriations

Date Completed: 6-6-16

CONTENT

House Bill 5457 (H-1) would amend the Michigan Business Tax (MBT) Act to disallow payments attributable to the Assigned Claims Plan from qualifying for the credit provided for payments made to the Michigan Automobile Insurance Placement Facility (MAIPF). House Bill 5458 (H-1) would make the same change to Part 2 of the Income Tax Act (which provides for Michigan's Corporate Income Tax). The changes would apply to tax years beginning on or after January 1, 2016.

The Assigned Claims Plan is a program required under the Insurance Code, and provides financial assistance to individuals who have no insurance coverage of their own but are injured in an uninsured motor vehicle accident in Michigan. Public Act 204 of 2012 transferred administration of the Assigned Claims Plan from the Department of State to the MAIPF, a nonprofit association made up of all automobile insurance companies writing policies in Michigan.

The MAIPF is established under the Insurance Code, and guarantees that automobile insurance is available to any person unable to obtain insurance through ordinary means. Both the MBT and the Corporate Income Tax (CIT) provide a 100% credit for payments made to the MAIPF by member companies. While payments made to the Assigned Claims Plan were not eligible for a credit when the plan was administered by the Secretary of State, switching the administration to the MAIPF allowed those payments to qualify for the credit.

While payments made to the MAIPF attributable to the Assigned Claims Plan would no longer be eligible for the credit, under the bills, other payments would continue to be eligible for the credit, just as they were before the changes in Public Act 204 of 2012.

MCL 208.1237 (H.B. 5757)
206.637 (H.B. 5758)

FISCAL IMPACT

The bills would increase General Fund revenue by approximately $80.0 million per year after the first two transition years. The fiscal impact in FY 2015-16 and FY 2016-17 would depend on the effective date of the bills and how rapidly taxpayers adjusted quarterly payments made to the State under the MBT and CIT, but would likely increase FY 2015-16 revenue by between $35.0 million and $50.0 million, and increase FY 2016-17 revenue by between $90.0 million and $105.0 million. The sooner the bills took effect and the more rapidly taxpayers adjusted quarterly payments, the larger the increase in revenue in FY 2015-16 would be and the lower the increase in FY 2016-17 would be.

For some taxpayers, the 2012 changes eliminated their tax liability under the MBT or CIT. Taxpayers with annual liabilities of less than $20,000 may elect to make quarterly payments equal to one-fourth of the prior years liabilities. As a result, these taxpayers would not be legally required to alter their quarterly tax payments in response to the bills. To the extent that significant portions of the fiscal impact would affect taxpayers subject to these provisions, and the taxpayers did not alter or begin making quarterly payments, a significant portion of the tax year 2016 impact of the bills could affect FY 2016-17 revenue. Regardless of the timing of payments made by affected taxpayers by the bills, the combined increase in General Fund revenue between FY 2015-16 and FY 2016-17 as a result of the bills, would total approximately $140.0 million.

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