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BILL



ANALYSIS

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House Bill 4502 (as reported without amendment)  
Sponsor: Representative James A. Lower  
House Committee: Tax Policy  
Senate Committee: Finance

### **CONTENT**

The bill would amend the Income Tax Act to exempt from the Corporate Income Tax a person that was a self-insurer group operating under an agreement under the Worker's Disability Compensation Act to pool liabilities under that Act.

Part 2 of the Income Tax Act imposes the Corporate Income Tax (CIT) on every taxpayer with business activity within Michigan or ownership interest or beneficial interest in a flow-through entity that has business activity in the State unless otherwise prohibited. Part 2 also imposes a franchise tax on financial institutions and a tax on insurance companies based on premiums written.

The Act specifies entities that are exempt from taxation under Part 2. The bill also would exempt a person that was a self-insurer group operating under an agreement entered under Section 611(2) of the Worker's Disability Compensation Act.

(Section 611(2) of the Act allows, under procedures and conditions determined by the director of the Workers' Compensation Agency, two or more employers in the same industry with combined assets of \$1.0 million or more, or two or more public employers of the same type of unit, to be permitted by the Director to enter into agreements to pool their liabilities under the Act for the purpose of qualifying as self-insurers.)

MCL 206.625

Legislative Analyst: Drew Krogulecki

### **FISCAL IMPACT**

The bill should have little to no impact on State General Fund revenue. To the extent that self-insured worker's compensation groups are not organized as corporations, such groups are already exempt from the Corporate Income Tax. Similarly, such groups are not regulated as insurance companies or banks, and thus are not subject to insurance taxes or the tax on financial institutions. However, to the extent that any groups were organized as corporations, the bill would reduce Corporate Income Tax revenue to the General Fund from those groups. It is expected that any such impact would be minimal.

Date Completed: 12-1-17

Fiscal Analyst: David Zin