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BILL



ANALYSIS

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House Bills 4950 and 5047 (as passed by the House)
Sponsor: Representative Hank Vaupel
House Committee: Tax Policy
Senate Committee: Finance

Date Completed: 1-16-18

CONTENT

House Bill 4950 would amend the Income Tax Act to exempt health maintenance organizations (HMOs) authorized under Chapter 35 of the Insurance Code from the tax imposed on insurance companies.

House Bill 5047 would amend the Income Tax Act to exclude from the definition of "insurance company" an HMO authorized under Chapter 35 of the Insurance Code.

Each bill would be retroactive and effective for tax years beginning on and after January 1, 2016.

House Bill 5047 is tie-barred to House Bill 4950.

(Chapter 35 of the Insurance Code requires the Director of the Department of Insurance and Financial Services to establish a system of authorizing and regulating HMOs in Michigan to protect and promote the public health through the assurance that HMOs provide certain services and facilities.

Chapter 35 defines "health maintenance organization" as a person that, among other things, delivers health services that are medically necessary to enrollees under the terms of its health maintenance contract, directly or through contracts with affiliated providers, in exchange for a fixed prepaid sum or per capita prepayment, without regard to the frequency, extent, or kind of health services; and is responsible for the availability, accessibility, and quality of the health services provided.)

House Bill 4950

Chapter 12 of the Income Tax Act imposes a tax on insurance companies equal to 1.25% of the gross direct premiums written on property or risk located or residing in Michigan.

The bill specifies that the tax imposed by Chapter 12 would not apply to a HMO authorized under Chapter 35 of the Insurance Code.

House Bill 5047

The Income Tax Act defines "insurance company" as an authorized insurer as defined in Section 108 of the Insurance Code. (Section 108 defines "authorized" insurer as an insurer duly authorized, by a subsisting certificate of authority issued by the Director of the

Department of Insurance and Financial Services, to transact insurance in the State.) The bill specifies that "insurance company" would not include an HMO authorized under Chapter 35 of the Insurance Code.

MCL 206.635 (H.B. 4950)
206.607 (H.B. 5047)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills would have no fiscal impact because they would codify existing practice and statutory interpretation.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.