Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4931 (Substitute H-1 as reported without amendment)
Sponsor: Representative Willis Bullard, Jr.
House Committee: Tax Policy
Senate Committee: Finance

CONTENT

The bill would amend the Single Business Tax (SBT) Act to allow an insurance corporation that was a member of an affiliated group, for tax years beginning in 1993, 1994, and 1995, to allocate amounts it paid to the Michigan Life and Health Guaranty Association (and used to determine its SBT credit for each tax year) among the members of the affiliated group, if one or more of the members of the affiliated group had no employees and acquired goods or services from other affiliated group members.

Currently, under the Act, an insurance company may claim a credit against the SBT for amounts paid to the Michigan Life and Health Guaranty Association pursuant to Chapter 77 of the Insurance Code. The Michigan Life and Health Guaranty Association was created under Chapter 77 and consists of life and health insurance companies, which must remain members of the Association to transact insurance in Michigan. The Association can guarantee or reinsure any or all of the policies of an impaired insurer. Members of the Association can be required to pay assessments, to carry out the powers and duties of the Association.

An "affiliated group" is defined under the SBT Act as two or more corporations, one of which owns or controls, directly or indirectly, 80% or more of the capital stock with voting rights of the other corporation or corporations.

MCL 203.22c Legislative Analyst: G. Towne

FISCAL IMPACT

This bill would have an impact on State and local government revenues. If the company this bill is designed to assist were able to claim a credit for its contributions to the Michigan Life and Health Guaranty Association, as provided under this bill, then its cumulative SBT liability for 1993, 1994 and 1995 would be reduced by an estimated $2.2 million from what it otherwise will be. Therefore, compared with current law, this bill would reduce SBT revenue by $2.2 million. This would reduce General Fund/General Purpose revenue by $1.9 million and local revenue sharing by $0.3 million.

Date Completed: 11-29-95 Fiscal Analyst: J. Wortley