

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

SECOND REGULAR SESSION-1997

Legislative Document

No. 1931

S.P. 696

In Senate, December 9, 1997

**An Act to Create Incentives for Employers to Contribute toward the
Costs of Comprehensive Health Insurance for Families.**

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Received by the Secretary of the Senate on December 9, 1997. Referred to the Committee on Taxation and ordered printed pursuant to Joint Rule 308.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator LONGLEY of Waldo.
Cosponsored by Representative WINGLASS of Auburn and
Senators: LAWRENCE of York, MILLS of Somerset.

Be it enacted by the People of the State of Maine as follows:

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4 Sec. 1. 36 MRSA §5217-C is enacted to read:

6 §5217-C. Employer-provided health insurance coverage

8 1. Definition. As used in this section, unless the context
10 otherwise indicates, the term "employing unit" has the same
12 meaning as in Title 26, section 1043, except that the employing
14 unit may employ no more than 50 employees.

16 2. Credit. A taxpayer that is an employing unit that
18 provides health insurance coverage including coverage for
20 preventive care and that pays at least 50% of the cost of
22 providing that health insurance coverage to the taxpayer's
24 employees is allowed a credit against the tax imposed by this
26 Part for each taxable year equal to the amount by which the cost
28 to the employing unit of providing that health insurance coverage
30 exceeds 7.5% of the employing unit's gross payroll. The amount
32 of the credit may not exceed \$5,000.

34 3. Limitation. The amount of the credit that may be used
36 by a taxpayer for a taxable year may not exceed the amount of tax
38 otherwise due under this Part. Any unused credit may be carried
40 over to the following year or years for a period not to exceed 15
42 years.

44 4. Application. This section applies to health insurance
46 coverage expenses paid in any tax year beginning on or after
48 January 1, 1999.

50 Sec. 2. 36 MRSA §5219-O is enacted to read:

52 §5219-O. Health insurance premium tax credit

54 1. Definition. As used in this section, unless the context
56 otherwise indicates, the term "employing unit" has the same
58 meaning as in Title 26, section 1043, except that the employing
60 unit may employ no more than 50 employees.

62 2. Credit. A taxpayer that is not an employing unit is
64 allowed a credit against the tax imposed by this Part for each
66 taxable year equal to 20% of the amount of the premium for health
68 insurance coverage that includes coverage for preventive care
70 paid by that taxpayer.

72 3. Eligible taxpayer. A taxpayer is eligible for a credit
74 under this section if:

76 A. The taxpayer pays the full premium for health insurance
78 coverage; or

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B. The taxpayer pays a portion of the health insurance premium under a health insurance program offered by the taxpayer's employer.

4. Limitation. The amount of the credit allowed under this section may not exceed \$500 in any tax year and may not exceed the amount of tax otherwise due under this Part. This credit may not reduce the state income tax to less than zero. Any unused credit may be carried over to the following year or years for a period not to exceed 15 years.

5. Application. This section applies to health insurance premiums paid in any tax year beginning on or after January 1, 1999.

Sec. 3. 36 MRS §6201, sub-§9, as amended by PL 1993, c. 395, §28, is further amended to read:

9. Income. "Income" means the sum of Maine adjusted gross income determined in accordance with Part 8, the amount of capital gains excluded from adjusted gross income, the absolute value of the amount of trade or business loss, net operating loss carry-over, capital loss, rental loss, farm loss, partnership or S Corporation loss included in adjusted gross income, alimony, inheritance, life insurance proceeds paid on death of insured, nontaxable lawsuit rewards, such as slander, libel and pain and suffering, excluding reimbursements such as medical and legal expenses associated with the case, support money, nontaxable strike benefits, the gross amount of any pension or annuity, including railroad retirement benefits, all payments received under the federal Social Security Act, state unemployment insurance laws, veterans' disability pensions, nontaxable interest received from the Federal Government or any of its instrumentalities, interest or dividends on obligations or securities of this State and its political subdivisions and authorities, workers' compensation and the gross amount of "loss of time" insurance, cash public assistance and relief, but not including relief granted under this chapter. Income does not include the first \$5,000 in the proceeds from a life insurance policy, whether paid in a lump sum or in the form of an annuity. Income also does not include gifts from nongovernmental sources or surplus foods or other relief in kind supplied by a governmental agency. Income does not include an amount equal to the premium paid for health insurance coverage that includes coverage for preventive care.

SUMMARY

This bill makes the following changes to the laws governing

the tax treatment of the cost of health insurance.

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1. It provides a tax credit to small businesses that provide health insurance coverage for employees if the cost of that coverage exceeds 7.5% of gross payroll.

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2. It provides a tax credit to taxpayers who pay for their own health insurance coverage.

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3. It exempts from the definition of income under the Maine Residents Property Tax Program, the "circuit breaker" program, an amount equal to the premium paid for health insurance coverage that includes coverage for preventive care.

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