

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 1135

H.P. 838

House of Representatives, March 4, 2003

An Act To Provide a Tax Credit to Employers Who Contribute to Employee Health Care Benefits

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative McLAUGHLIN of Cape Elizabeth.
Cosponsored by Senator BROMLEY of Cumberland and
Representatives: BLISS of South Portland, BOWEN of Rockport, DUDLEY of Portland,
HUTTON of Bowdoinham, NORTON of Bangor, TRAHAN of Waldoboro, Senators:
CARPENTER of York, MARTIN of Aroostook.

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

2 **Sec. 1. 36 MRSA §5219-O**, as amended by PL 2001, c. 396, §39,
4 is further amended to read:

6 **§5219-O. Credit for health benefits paid**

8 **1. Credit allowed.** A taxpayer constituting an employing
10 unit that employs 10 or fewer than--5 employees is allowed a
12 credit to be computed as provided in this section against the tax
14 imposed by this Part, subject to the limitations contained in
16 subsections 3 and 4. The credit equals the lesser of 20% of
18 ~~dependent~~ health benefits paid with respect to the taxpayer's
20 ~~low-income~~ employees or dependents of employees under a health
22 benefit plan during the taxable year for which the credit is
allowed or ~~\$125~~ \$1,000 per ~~low-income~~ employee or dependent of an
employee with ~~dependent~~ health benefits coverage. A taxpayer who
received a credit under this section in the preceding year and
whose number of ~~low-income~~ employees is 5-~~or~~ more than 10 may
continue to receive the credit for 2 years after the last year in
which the number of employees was 10 or fewer than-5.

24 **2. Definitions.** As used in this section, unless the
26 context otherwise indicates, the following terms have the
28 following meanings.

30 A. "Dependent" means a dependent, as defined by Section 152
of the Code, who is under 19 years of age.

32 B. "~~Dependent-health~~ Health benefits" means health benefits
and health insurance costs allowable as deductions to the
34 employer under Section 105 of the Code, paid by the taxpayer
on behalf of the taxpayer's ~~low-income~~ employees for the
benefit of the employees or the employees' dependents.

36 C. "Employing unit" has the same meaning as in Title 26,
section 1043.

38 D. "Health benefit plan" means a plan that:

40 (1) Includes comprehensive coverage for at least the
42 following range of benefits:

44 (a) Inpatient and outpatient hospital services;

46 (b) Physicians' surgical and medical services;

48 (c) Laboratory and x-ray services; and

2 (d) Well-baby and well-child care, including
age-appropriate immunizations;

4 (2) Affords coverage that has an actuarial value no
6 less than 80% of the actuarial value of coverage that
8 is provided to employees of the State. For purposes of
10 this paragraph, "actuarial value" means the expected
12 cost of a benefit based on assumptions as to relevant
variables such as morbidity, mortality, persistency and
interest. When comparing the actuarial value of one
benefit or package of benefits to another, both
actuarial values must be based on the same assumptions;

14 (3) Imposes copayment and deductible costs on the
16 employee that do not exceed 10% of the actuarial value
of all benefits afforded by the plan; and

18 (4) Makes the same or comparable coverage available
20 for the benefit of the employee's dependent children
who are under 19 years of age.

22 ~~E.---"Low-income-employee"--means--a--Maine--resident--whose
24 average-weekly-earnings-from-the-taxpayer-do-not-exceed-the
State's-average-weekly-wage-as-calculated-by-the-Department
of-Labor.~~

26
28 3. **Qualifications.** A taxpayer may claim the credit allowed
by this section only for those periods during which the following
conditions are met:

30 A. The taxpayer maintains a health benefit plan that is
32 available to all of the taxpayer's ~~low-income~~ employees who
have been employed for 30 days or more on a schedule that
34 exceeds either 25 hours per week or 1000 hours per year;

36 B. The taxpayer pays at least 80% of the cost of health
insurance coverage for each ~~low-income~~ employee who is under
38 the health benefit plan;

40 C. The If a claim is based on health benefits for
42 dependents of employees, the taxpayer pays at least 60% of
the cost of dependent health benefits for children under 19
years of age who are covered under the health benefit plan
44 and who are dependents of a ~~low-income~~ an employee; and

46 D. The taxpayer submits documentation from the insurer of
the portion of the cost of benefits attributable to coverage
48 of dependents that qualifies for a credit under this section.

2 **4. Limitations; carry-over.** The amount of the credit that
3 may be used by a taxpayer for a taxable year may not exceed 50%
4 of the state income tax otherwise due under this Part for that
5 year. The unused portion of any credit may be carried over to
6 the following year or years for a period not to exceed 2 years.
7 The credit allowable under this section may not be carried back
8 to prior years.

10 **SUMMARY**

12 This bill expands the income tax credit for certain small
13 businesses that provide health insurance covering the dependents
14 of low-income employees. The credit is extended to employers
15 with 10 or fewer employees, regardless of their income level.
16 The credit is made applicable to expenditures for health
17 insurance for employees as well as dependents, and the maximum
18 credit per employee or dependent is increased to \$1,000.