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HOUSE PANEL HELD UP ON M.B.T. INSURANCE PROVISIONS

Insurance companies would get a tax credit for the charitable donations they make to public institutions under legislation given unanimous approval Tuesday by the House Tax Policy Committee, but movement stalled on other bills in the package dealing with insurers, particularly on a bill allowing them to take the compensation credit given under the Michigan Business Tax.

The donations bill is [HB 5330](#), but other bills in the package ([HB 5327](#), [HB 5328](#) and [HB 5329](#)) are getting more review after the Department of Treasury testified in opposition to them. Chair Rep. [Steve Bieda](#) (D-Warren) said he is committed to moving the bills at some point. The MBT takes effect on January 1, 2008.

HB 5327 permits insurance companies to claim the MBT's compensation credit. Insurance lobbyists have argued for equal treatment under the MBT in terms of the compensation credit, worth 0.37 percent of a company's compensation, since the tax's inception. HB 5329 makes complementary revisions to the statute dealing with compensation.

And HB 5328 does not apply the 1.25 percent premium tax under the MBT to all reinsurance transactions. The current law says reinsurance premiums are not taxed if the tax has been paid on the original premiums.

House Fiscal Agency said the fiscal impact was still under review, but the Department of Treasury estimated the hit to state revenue would be around \$4 million.

Scott Schragger with Treasury said while the revenue decrease in the bills is modest to the state, the administration doesn't support the measures because insurers are taxed differently under the MBT and are more self-contained than other industries as far as treatment under the tax.

Michigan is still a low-tax state for insurers even with the MBT increase in the premiums tax from 1.07 to 1.25 percent, Mr. Schragger said. He also said the constitutionality of the proposed changes has to be looked at to coincide with the retaliatory tax insurance companies are subject to.

Mr. Schragger also questioned changing the language dealing with reinsurance, saying the language was the same as it always has been and he didn't know what hidden benefit was being sought in the bill.

But Pete Kuhnmuensch, executive director of the Insurance Institute of Michigan which supports the package, argued the constitutionality of the MBT as currently written is questionable because the compensation credit isn't given to property casualty insurers. Insurance officials also argued Treasury was looking just at the premium rate to make their low tax assessment and not looking at the fact that while the insurance industry represents 2 percent of the economy, insurers paid 11 percent of the SBT.

But Mr. Schragger contended Treasury looks at the dollars paid by insurers as a percentage of personal

income and that measure is low compared to other states. He said it's fine to look at the amount paid based on the portion of the economy insurers represent, but if that outlook is compared nationally, there are states much higher than Michigan still.

Jim Miller with the Insurance Coalition of Michigan testified in support of the package, saying it was righting a wrong in the statute.

But Rep. Coleman Young Jr. (D-Detroit) said he couldn't understand why the Legislature would give insurers a tax credit when auto insurance rates continue to be disproportionate for urban residents. Insurers said they are still working with lawmakers to address that issue.

The American Council of Life Insurers also supports the package.

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