

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.635 Tax on insurance company; imposition and levy; direct premiums; qualified health insurance policies; exemption.**

Sec. 635.

(1) Except as otherwise provided under subsection (4) or (6), each insurance company shall pay a tax determined under this chapter.

(2) The tax imposed by this chapter on each insurance company shall be a tax equal to 1.25% of gross direct premiums written on property or risk located or residing in this state. However, beginning on January 1, 2019, for gross direct premiums attributable to qualified health insurance policies the tax imposed shall be a tax equal to 0.95% through December 31, 2019, and for the 2020 tax year and each tax year after 2020, the tax rate for those gross direct premiums attributable to qualified health insurance policies shall be determined as provided under subsection (7). Direct premiums do not include any of the following:

(a) Premiums on policies not taken.

(b) Returned premiums on canceled policies.

(c) Receipts from the sale of annuities.

(d) Receipts on reinsurance premiums if the tax has been paid on the original premiums.

(e) The first \$190,000,000.00 of disability insurance premiums written in this state, other than credit insurance and disability income insurance premiums, of each insurance company subject to tax under this chapter. This exemption shall be reduced by \$2.00 for each \$1.00 by which the insurance company's gross direct premiums from insurance carrier services in this state and outside this state exceed \$280,000,000.00.

(3) The tax calculated under this chapter is in lieu of all other privilege or franchise fees or taxes imposed by this part or any other law of this state, except taxes on real and personal property, taxes collected under the general sales tax act, 1933 PA 167, MCL 205.51 to 205.78, and taxes collected under the use tax act, 1937 PA 94, MCL 205.91 to 205.111, and except as otherwise provided in the insurance code of 1956, 1956 PA 218, MCL 500.100 to 500.8302.

(4) The tax imposed and levied under this chapter does not apply to an insurance company authorized under chapter 46 or 47 of the insurance code of 1956, 1956 PA 218, MCL 500.4601 to 500.4673 and 500.4701 to 500.4747.

(5) For a taxpayer subject to the tax imposed under chapter 11, that portion of the tax base attributable to the services provided by an attorney-in-fact to a reciprocal insurer pursuant to chapter 72 of the insurance code of 1956, 1956 PA 218, MCL 500.7200 to 500.7234, is exempt from the tax imposed by that chapter.

(6) The tax imposed and levied under this chapter does not apply to a health maintenance organization authorized under chapter 35 of the insurance code of 1956, 1956 PA 218, MCL 500.3501 to 500.3573.

(7) By October 1, 2020 and each October 1 thereafter, the department shall determine the tax rate to be imposed on gross direct premiums attributable to qualified health insurance policies for that calendar year as follows:

(a) Calculate the total liability for all taxpayers after all credits for qualified health insurance policies under this chapter and section 476a of the insurance code of 1956, 1956 PA 218, MCL 500.476a, for the prior calendar year.

(b) Calculate the total liability for all taxpayers after all credits for qualified health insurance policies under this chapter at a rate of 1.25% and section 476a of the insurance code of 1956, 1956 PA 218, MCL 500.476a, for the prior calendar year.

(c) Determine the actual amount of savings for the prior year as a result of the rate reduction under subsection (2) by subtracting the amount determined under subdivision (a) from the amount determined under subdivision (b).

(d) Determine the amount of savings above the savings limit for the prior calendar year, by subtracting \$18,000,000.00 from the amount determined under subdivision (c).

(e) Determine the current year savings limit by subtracting the sum of the amounts determined under subdivision (d) for each calendar year beginning on and after January 1, 2019 from \$18,000,000.00.

(f) Calculate the rate reduction for the current calendar year by dividing the amount determined under subdivision (e) by the amount of prior year gross direct premiums attributable to qualified health insurance policies written by taxpayers with no liability under section 476a of the insurance code of 1956, 1956 PA 218, MCL 500.476a, for the prior calendar year.

(g) Calculate the tax rate for the current calendar year by subtracting the amount determined under subdivision (f) from 0.0125.

(8) The state treasurer shall develop a method to account for changes in tax liability occurring after the calculation of the immediately succeeding calendar year's rate.

(9) As used in this section, "qualified health insurance policies" means policies written on risk located or residing in this state that are 1 of the following types of policies:

- (a) Comprehensive major medical, regardless of whether the policy is eligible for a health savings account or purchased on the health insurance marketplace.
- (b) Student.
- (c) Children's health insurance program.
- (d) Medicaid.
- (e) Employer comprehensive, regardless of whether the policy is eligible for a health savings account or purchased on the health insurance marketplace.
- (f) Multiple employer associations or trusts and any other employer associations and trusts.

**History:** Add. 2011, Act 38, Eff. Jan. 1, 2012 ;-- Am. 2018, Act 31, Imd. Eff. Feb. 21, 2018 ;-- Am. 2018, Act 222, Imd. Eff. June 26, 2018  
**Compiler's Notes:** Enacting section 1 of Act 31 of 2018 provides: "Enacting section 1. This amendatory act is retroactive and effective for tax years that begin on and after January 1, 2016."