



Legislative Update: Health Insurance Premium Tax Credit

Arizona HB 2177 is tax-credit legislation that seeks to help small employers provide affordable group coverage for their employees. Under the program, eligible small groups will be issued vouchers covering up to 50% of their annual medical premium.

Eligible small groups are from two to 25 lives that have been in business in Arizona for at least one year and have not had group coverage for at least six months. Groups may now apply for a voucher that can be submitted to their Carrier in place of up to half of the premium. Carriers then submit the voucher to the state in exchange for credit off their premium tax.

The program also applies to individual plans, but note that individuals who earn more than 250% of the federal poverty level are not eligible. There is no earning cap on group coverage.

Please contact Employee Benefit Exchange, Mesa Arizona for application materials. Additional information regarding this legislation is below:

Effective January 1, 2007, an annual tax credit is allowed against the premium tax liability incurred by a health care insurer for an individual or small business that has received a certificate from Department of Revenue. This new program requires individuals and small businesses to purchase health insurance within 90 days after the certificate of eligibility is issued.

The maximum amount of tax credits allowed under this section shall not exceed the aggregate amount of certificates approved by the Department of Revenue.

For coverage issued to an individual, the amount of the credit is the lesser of:

- \$1,000 for a single person, \$500 for coverage of a child or \$3,000 for family coverage, or
- 50 % of health insurance premium.

For coverage issued to a small business, the amount of the credit is the lesser of:

- \$1,000 for coverage of each single employee or \$3,000 for each employee who chooses family coverage, or
- 50 % of the health insurance premium.

Also, a health insurer can carry forward unused tax credits and apply them to future years' premium tax liability for up to 3 years. It also specifies that a health insurer claiming this credit is not subject to additional retaliatory tax as a result of this section.

In addition, the Department of Revenue is required to issue certificates of eligibility on a first-come, first-served basis, to persons and small businesses that complete an application prescribed by the Department of Revenue. Once the application is submitted, the Department of Revenue determines whether program funds are still available prior to issuing the certificate, and to ensure that the person has not received a certificate previously.

The recipients must either be a small business or an individual meeting all of the following requirements:

- Earns less than 250% of the federal poverty level (Individual Applicants Only)
- Has not had health insurance for at least 6 consecutive months prior to application.
- Is not enrolled in the Arizona Health Care Cost Containment System, Medicare, or any other federal or state health insurance program.

The health care insurer that enrolls an individual or small business under this section will deduct the amount of the certificate from the premium charged. The health insurer must notify the Department of Revenue of the enrollment and the amount of premium tax credit they intend to claim for the current calendar year no later than the fifteenth day of the month following the beginning of coverage.

The certificates are valid for 30 days after issuance, and if the recipient applies for health insurance within the 30 days, the certificate is valid for one year from the commencement of coverage. Sixty days before expiration of coverage, the Department of Revenue will review the status of certificate recipients, and if a recipient continues to meet the eligibility requirements, the certificated will be reissued. Recipients are limited to two reissued certificates of eligibility.

For more information or to have a Qualification Form sent to you, contact:

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