

State of Arkansas  
89th General Assembly  
Fiscal Session, 2014

HR 1010

By: Representative Hammer

## HOUSE RESOLUTION

TO AUTHORIZE THE INTRODUCTION OF A NONAPPROPRIATION  
BILL CONCERNING A STATE INCOME TAX CREDIT FOR HEALTH  
INSURANCE PREMIUMS.

### Subtitle

TO AUTHORIZE THE INTRODUCTION OF A  
NONAPPROPRIATION BILL CONCERNING A STATE  
INCOME TAX CREDIT FOR HEALTH INSURANCE  
PREMIUMS.

BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE EIGHTY-NINTH GENERAL  
ASSEMBLY OF THE STATE OF ARKANSAS:

That Representative Hammer is authorized to introduce a bill which as  
introduced will read substantially as follows:

"For An Act to be Entitled  
AN ACT TO HELP ARKANSAS CITIZENS AFFORD HEALTH INSURANCE BY PROVIDING A STATE  
INCOME TAX CREDIT FOR HEALTH INSURANCE PREMIUMS; AND FOR OTHER PURPOSES.

Subtitle

TO PROVIDE A STATE INCOME TAX CREDIT FOR HEALTH INSURANCE PREMIUMS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. DO NOT CODIFY. Legislative findings and intent.

(a) The General Assembly finds that:



(1) Health insurance premiums in Arkansas nearly doubled from 2000 to 2010;

(2) Since 2003, health insurance premiums have increased eighty percent (80%), nearly three (3) times the rate of increase for wages and inflation; and

(3) Federal law under the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, is contributing to the rise in health insurance premiums by requiring that health insurance plans that became effective on and after March 23, 2010:

(A) Be made available to all individuals, regardless of previous health status or previous claim experience;

(B) Cover all essential health benefits defined under Pub. L. No. 111-148;

(C) Have a minimum actuarial value of sixty percent (60%);

(D) Charge older individuals not more than three (3) times the amount charged to younger individuals; and

(E) Charge smokers not more than one and one-half (1 1/2) times the amount charged to nonsmokers.

(b) It is the intent of the General Assembly by the enactment of this act to address the state-specific need to achieve affordable health care for its citizens.

SECTION 2. Arkansas Code Title 26, Chapter 51, Subchapter 5, is amended to add an additional section to read as follows:

26-51-515. Affordable healthcare insurance tax credit.

(a) As used in this section:

(1) "Consumer Price Index" means the average of the last Consumer Price Index for All Consumers published by the United States Department of Labor as of the close of the twelve-month period ending on August 31 of that calendar year;

(2) "Cost-of-living adjustment" means the percentage, if any, by which the Consumer Price Index for the calendar year preceding the taxable year exceeds the Consumer Price Index for the calendar year beginning January 1, 2015;

(3)(A) "Health benefit plan" means a policy, contract, health insurance policy, health insurance contract, certificate, or agreement

offered or issued by a health insurer to provide, deliver, arrange for, pay for, or reimburse any of the costs of healthcare services.

(B) "Health benefit plan" does not include:

(i) Coverage only for accident or disability income insurance, or both;

(ii) Coverage issued as a supplement to liability insurance;

(iii) Liability insurance, including without limitation general liability insurance and automobile liability insurance;

(iv) Workers' compensation or similar insurance;

(v) Automobile medical payment insurance;

(vi) Credit-only insurance;

(vii) Coverage for on-site medical clinics; or

(viii) Other similar insurance coverage specified in federal regulations issued under the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191, as it existed on January 1, 2014, and under which benefits for healthcare services are secondary or incidental to other insurance benefits.

(C) "Health benefit plan" does not include the following benefits if the benefits are provided under a separate policy, certificate, or contract of insurance or are otherwise not an integral part of the plan:

(i) Limited-scope dental or vision benefits;

(ii) Benefits for long-term care, nursing home care, home health care, community-based care, or a combination of these; or

(iii) Other similar limited benefits specified in federal regulations issued under the Health Insurance Portability and Accountability Act of 1996, Pub. L. No. 104-191, as it existed on January 1, 2014.

(D) "Health benefit plan" does not include the following benefits if the benefits are provided under a separate policy, certificate, or contract of insurance, there is no coordination between the provision of the benefits and an exclusion of benefits under a group health plan maintained by the same plan sponsor, and the benefits are paid with respect to an event without regard to whether benefits are provided with respect to such an event under any group health plan maintained by the same plan sponsor:

(i) Coverage only for a specified disease or illness; or

(ii) Hospital indemnity or other fixed indemnity insurance.

(E) "Health benefit plan" does not include the following if offered as a separate policy, certificate, or contract of insurance:

(i) Medicare supplemental health insurance as defined under the Social Security Act, Pub. L. No. 74-271, as it existed on January 1, 2014;

(ii) Coverage supplemental to the coverage provided to military personnel and their dependents under Title 10 of the United States Code and the Civilian Health and Medical Program of the Uniformed Services, 32 C.F.R. Part 199, as it existed on January 1, 2014; or

(iii) Similar supplemental coverage provided under a group health plan;

(4) "Health insurer" means an entity that provides a health benefit plan in Arkansas, including without limitation an insurance company, medical services plan, hospital plan, hospital medical service corporation, health maintenance organization, fraternal benefits society, or any other entity providing a plan of health benefits subject to state insurance regulations;

(5) "Health services" means medical services, supplies, and equipment provided or used primarily for:

(A) The diagnosis, cure, mitigation, treatment, or prevention of a disease affecting any structure of the body; or

(B) Transportation that is essential to obtaining benefits under a health benefit plan;

(6) "Household income" means the total adjusted gross income as defined by § 26-51-403(b) received during a taxable year by:

(A) A taxpayer;

(B) A taxpayer's spouse; and

(C) A taxpayer's dependents; and

(7) "Premium" means the amount charged by a health insurer to provide coverage under a health benefit plan that is paid by a taxpayer after employer contributions and federal premium tax credits under the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, are made.

(b) A tax credit against the tax imposed by the Income Tax Act of 1929, § 26-51-101 et seq., is allowed for a taxpayer who:

(1) Purchased coverage under a health benefit plan in Arkansas that covered less than eighty percent (80%) of medical costs in the previous taxable year;

(2) Had a household income between one hundred and thirty eight percent (138%) and four hundred ninety-nine percent (499%) of the federal poverty guideline income level in the previous taxable year; and

(3) Has a household income between one hundred and thirty eight percent (138%) and four hundred ninety-nine percent (499%) of the federal poverty guideline income level in the present taxable year; and

(4) Purchases in Arkansas in the present taxable year:

(A) A family health benefit plan that:

(i) Covers less than eighty percent (80%) of healthcare services; and

(ii) Has an annual premium that is more than nine and one-half percent (9 1/2%) of the taxpayer's household income;

(B) A health benefit plan that:

(i) Is the same or substantially similar to the health benefit plan that the taxpayer purchased the previous plan year; and

(ii) Has an annual premium that exceeds the annual premium of the previous plan year by at least fifteen percent (15%); or

(C) A new health benefit plan that:

(i) Covers less than eighty percent (80%) of medical costs;

(ii) Has an annual premium that exceeds the annual premium of the previous plan year for the health benefit plan by at least fifteen percent (15%); and

(iii) Is purchased to comply with the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, as it existed on January 1, 2014 because of an involuntary cancellation of the taxpayer's health benefit plan.

(c)(1) The amount of the tax credit allowed under this section shall be twenty percent (20%) of the annual premiums paid by the taxpayer in the taxable year up to a maximum amount of one thousand dollars (\$1,000).

(2) The Director of the Department of Finance and Administration

shall increase the maximum amount of the tax credit allowed under this section by applying the cost-of-living adjustment for a calendar year and rounding to the nearest dollar.

(3)(A) The tax credit allowed under this section is refundable.

(B) The amount of the tax credit that exceeds the taxpayer's tax liability shall be returned to the taxpayer as an overpayment of tax.

(d) A taxpayer may claim the tax credit allowed under this section in addition to the federal premium tax credit under the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, as it existed on January 1, 2014.

(e) The tax credit allowed under this section is void if the Director of the Department of Finance and Administration determines that the provisions of the federal law mandating individual health insurance under the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, are repealed.

(f) The Department of Finance and Administration shall promulgate rules to implement this section.

SECTION 3. EFFECTIVE DATE. This act is effective on and after January 1, 2015."