

Subject Health insurance premium credit

Authors Schultz and others

Analyst Christopher Kleman

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Overview

HF 2380 proposes to create a health insurance premium tax credit for individuals who do not qualify for the federal advance premium tax credit and who purchase a qualified health plan through MNSure. The credit amount is determined by reference to how the federal credit is determined under the Internal Revenue Code (IRC). The credit may be taken by an individual in the form of an advance payment of the individual's health insurance premium, which would be deducted from the monthly premium amount charged to the individual by a health carrier. Alternatively, an individual may take the credit as a credit against the amount of an individual's income tax liability.

For advance payments, MNSure would determine an individual's eligibility and make payments to an individual's health carrier, who would be required to reduce premium amounts by a corresponding amount.

In addition, this bill also repeals the sunset on the gross receipts tax on hospitals and health care providers (also known as the "provider tax"). Due to a 2011 change in law, the provider tax is repealed at the end of 2019.

Lastly, this bill modifies the current nexus requirements for wholesale drug distributors. Under federal constitutional law relating to the commerce clause, a state may not impose a tax on a person that does not have a "substantial nexus" with the taxing state. Until recently, for purposes of imposing the obligation to collect sales tax on retailers, substantial nexus required a taxpayer to have a physical presence in the state. A recent Supreme Court decision *South Dakota v. Wayfair*, 138 S. Ct. 2080 (2018) replaced the physical presence rule with a looser economic presence rule. HF 2380 modifies the nexus rules for wholesale drug distributors, certain sellers of legend drugs, and persons that sell or repair hearing aids or prescription eyewear, to account for these recent federal changes.

Summary

Section	Description
1	<p>Advanced payment of state-based health insurance premium credit.</p> <p>This section requires the MNsure board to determine whether an individual is eligible to receive an advance payment of the health insurance premium tax credit, to notify an eligible individual's health carrier to reduce the individual's premium amount accordingly, and to make advance payments to the health carrier.</p> <p>Subd. 1. Determination of eligibility for advanced payment of state-based health insurance premium tax credit. Requires the MNsure board to determine an individual's eligibility for an advance payment of the health insurance premium tax credit created in section 4. If eligible, the board must inform the individual's health carrier to deduct a pro rata share of the credit from each month's premium charged to the individual.</p> <p>To be eligible, an individual must purchase a health plan through MNsure, not be enrolled in medical assistance or MinnesotaCare, and be eligible for the tax credit in section 4. Individuals must also file a state tax return to verify the applicable credit amount; if an individual does not file a tax return for a prior tax year in which advance payments were made, they may not receive further advance payments.</p> <p>Subd. 2. Payments to health carriers. Requires the board to make the payments referenced in subdivision 1.</p> <p>Subd. 3. Health carrier responsibilities. Requires a health carrier to reduce the premium amount by an amount equal to the pro rata share of the tax credit, itemize this amount on a covered individual's billing statement, and reconcile these amounts with MNsure.</p> <p>Subd. 4. Appeals. Allows an individual to appeal eligibility determinations under rules currently established by MNsure.</p> <p>Subd. 5. Data practices. Applies current data classifications to health insurance premium tax credit applications made under this section.</p> <p>Subd. 6. Data sharing. Allows MNsure to share data as allowed under current law.</p> <p>Subd. 7. Appropriations. Appropriates money from the health care access fund to the MNsure board to make the advance payments.</p>

Effective date: Advance payments applied to premiums in plan year 2021.

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2	<p>Board of Directors of MNsure.</p> <p>Authorizes the commissioner of revenue to disclose tax return information to MNsure to determine eligibility under section 1.</p> <p>Effective date: Tax year 2021.</p>
3	<p>Health insurance premiums.</p> <p>Requires an addition to taxable income for any deduction taken by a taxpayer for health insurance premiums used to calculate the health insurance premium credit in section 4. This ensures that an individual cannot receive the benefit of both the deduction and the credit.</p> <p>Effective date: Tax year 2021.</p>
4	<p>Health insurance premium credit.</p> <p>This section creates a health insurance premium credit for certain individuals who are not eligible to receive the federal advance payment tax credit because their income exceeds 400 percent of the federal poverty line, but who nonetheless purchase a qualified health plan through MNsure. The amount of the credit is based on the amount of the federal credit determined under the IRC. Individuals may elect to receive the credit in the form of advance payments that reduce their premium amount.</p> <p>Subd. 1. Credit allowed. Allows Minnesota residents who do not qualify for the federal premium assistance credit due to income limits to receive a refundable health insurance premium tax credit. The credit is calculated in the manner that the federal credit is calculated, with some modifications:</p> <ul style="list-style-type: none">▪ a “coverage month” includes a month in which the individual could have obtained minimum essential coverage but did not receive coverage;▪ the applicable percentage used to calculate the credit is the highest percentage allowed under the Internal Revenue Code; and▪ the amount of monthly premiums used to calculate the credit must be reduced by the amount of any premium subsidy made by MNsure for the individual. <p>The federal credit is determined based on the premium assistance amount allowed. This amount equals the lesser of:</p> <ul style="list-style-type: none">▪ a taxpayer’s monthly premium for a qualified health plan (including premiums for spouses and dependents); or▪ the excess of the second lowest cost silver plan (SLCSP) available to the taxpayer over the taxpayer’s applicable percentage multiplied by their household income.

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	<p>The applicable percentage introduces some income sensitivity to the federal credit; as a taxpayer's income increases, the amount of the premium assistance amount decreases. As income decreases, the assistance amount increases, due to the reduced applicable percentage.</p> <p>Subd. 2. Advance payment of credit. Allows an individual to claim the credit on their tax return or receive it as an advance credit. For advance payment elections, the tax credit is reduced by the advance payments; if the advance payments exceed the credit, the amount of tax due by the taxpayer is increased by that amount.</p> <p>This subdivision also requires the MNsure board and the commissioner of revenue to reconcile the amount of advance payments made in relation to the amount of the tax credit allowed by this section, and requires the commissioner to provide information to the board regarding individuals who did not file the return required in section 1.</p> <p>Subd. 3. Reporting requirements. Requires an individual to notify MNsure and the commissioner of revenue regarding changes in an individual's eligibility.</p> <p>Subd. 4. Appropriation. Appropriates money to the commissioner of revenue from the health care access fund to pay the refunds required in subdivision 2. Also appropriates \$1,037,000 in fiscal year 2022 and \$880,000 in each year thereafter to administer the new credit.</p> <p>Effective date: Tax year 2021.</p>
5	<p>Nexus in Minnesota.</p> <p>Modifies the nexus rules providing for state jurisdiction to impose the provider tax. The modifications provide two sets of requirements: one for physical presence nexus and one for economic presence nexus (see the overview for the recent federal changes in this area).</p> <p>Current law provides that a wholesale drug distributor has nexus if they have sufficient contacts with or a presence in Minnesota to satisfy the requirements of federal constitutional law.</p> <p>The proposed changes apply to:</p> <ol style="list-style-type: none">1) wholesale drug distributors;2) persons who receive legend drugs from a person other than a drug distributor, for resale or use in Minnesota; and3) persons who sell or repair hearing aids and prescription eyewear. <p>For all three taxpayers described above, the new requirements define nexus in a variety of scenarios where an entity has a physical presence in the state, by, for instance,</p>

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	<p>employing in-state affiliates to conduct business activities, including those affiliates who use a home office, or by employing a representative in the state to act on its behalf, even if the representative is not permanently located in Minnesota.</p> <p>In addition, this section provides that taxpayers with economic presence in the state have nexus if they meet certain thresholds for conducting business activities.</p> <p>For wholesale drug distributors and legend drug sellers that are not distributors, a taxpayer has nexus if they sell legend drugs in the state from outside the state and meet a threshold for sale, delivery, or distribution (100); gross revenues (\$100,000); or price paid (\$100,000).</p> <p>For persons who sell or repair hearing aids or prescription eyeglasses, a taxpayer has nexus if they sell, distribute, or deliver goods into this state and meets one of the same thresholds required for drug distributors.</p> <p>Taxpayers that have economic presence nexus would be required to file a provider tax return, unless they notify the commissioner of revenue that they no longer meet the threshold nexus requirements.</p> <p>Effective date: Day following final enactment.</p>
6	<p>Contingent reduction in tax rate.</p> <p>Makes a conforming change due to the repeal of the sunset of the provider tax in section 7.</p> <p>Effective date: Day following final enactment.</p>
7	<p>Interest on overpayments.</p> <p>Modifies the manner in which the commissioner of revenue must pay interest on overpayments of the provider tax, by requiring that these payments are made as currently required for corporate and individual income taxes.</p> <p>Effective date: Overpayments made in 2021.</p>
8	<p>Appropriation; MNsure.</p> <p>Makes a onetime appropriation of \$1,241,000 in fiscal year 2020 and \$4,539,000 to MNsure from the health care access fund, for technology and program development related to the health insurance premium credit.</p> <p>Effective date: Day following final enactment.</p>
9	<p>Repealer.</p> <p>Repeals the sunset of the provider tax.</p>

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Effective date: Day following final enactment.



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