

Senate Engrossed House Bill

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Forty-seventh Legislature  
Second Regular Session  
2006

**CHAPTER 378**

# **HOUSE BILL 2177**

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-224.05; AMENDING TITLE 43, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-210; MAKING APPROPRIATIONS; RELATING TO HEALTH INSURANCE PREMIUM TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 20, chapter 2, article 1, Arizona Revised Statutes,  
3 is amended by adding section 20-224.05, to read:

4 20-224.05. Premium tax credit for health insurance certificates  
5 submitted by qualified persons; definitions

6 A. FROM AND AFTER DECEMBER 31, 2006, AN ANNUAL TAX CREDIT IS ALLOWED  
7 AGAINST THE PREMIUM TAX LIABILITY INCURRED BY A HEALTH CARE INSURER PURSUANT  
8 TO SECTION 20-224, 20-837 OR 20-1060 FOR AN INDIVIDUAL OR A SMALL BUSINESS  
9 THAT HAS RECEIVED A CERTIFICATE FROM THE DEPARTMENT OF REVENUE PURSUANT TO  
10 SECTION 43-210 AND OBTAINED HEALTH INSURANCE FROM A HEALTH CARE INSURER  
11 WITHIN NINETY DAYS AFTER THE DATE THE CERTIFICATE WAS ISSUED.

12 B. THE MAXIMUM AMOUNT OF TAX CREDITS ALLOWED UNDER THIS SECTION SHALL  
13 NOT EXCEED THE AGGREGATE AMOUNT OF CERTIFICATES APPROVED BY THE DEPARTMENT OF  
14 REVENUE PURSUANT TO SECTION 43-210.

15 C. FOR COVERAGE ISSUED TO AN INDIVIDUAL, THE AMOUNT OF THE CREDIT IS  
16 THE LESSER OF:

17 1. ONE THOUSAND DOLLARS FOR COVERAGE ON A SINGLE PERSON, FIVE HUNDRED  
18 DOLLARS FOR COVERAGE ON A CHILD OR THREE THOUSAND DOLLARS FOR FAMILY  
19 COVERAGE.

20 2. FIFTY PER CENT OF THE HEALTH INSURANCE PREMIUM.

21 D. FOR COVERAGE ISSUED TO A SMALL BUSINESS, THE AMOUNT OF THE CREDIT  
22 IS THE LESSER OF:

23 1. ONE THOUSAND DOLLARS FOR COVERAGE ON A SINGLE PERSON OR THREE  
24 THOUSAND DOLLARS FOR EACH EMPLOYEE WHO ELECTS FAMILY COVERAGE.

25 2. FIFTY PER CENT OF THE HEALTH INSURANCE PREMIUM.

26 E. IF THE ALLOWABLE TAX CREDIT EXCEEDS THE STATE PREMIUM TAX  
27 LIABILITY, THE AMOUNT OF THE CLAIM NOT USED AS AN OFFSET AGAINST THE STATE  
28 PREMIUM TAX LIABILITY MAY BE CARRIED FORWARD AS A TAX CREDIT AGAINST  
29 SUBSEQUENT YEARS' STATE PREMIUM TAX LIABILITY FOR A PERIOD NOT TO EXCEED FIVE  
30 TAXABLE YEARS OR REFUNDED AS ALLOWED UNDER SECTION 20-224.02.

31 F. THE DEPARTMENT MAY ADOPT RULES NECESSARY FOR THE ADMINISTRATION OF  
32 THIS SECTION.

33 G. A HEALTH CARE INSURER ALLOWED A CREDIT AGAINST ITS PREMIUM TAX  
34 LIABILITY UNDER THIS SECTION SHALL NOT BE REQUIRED TO PAY ANY ADDITIONAL  
35 RETALIATORY TAX LEVIED PURSUANT TO SECTION 20-230 AS A RESULT OF CLAIMING THE  
36 CREDIT.

37 H. FOR THE PURPOSES OF THIS SECTION:

38 1. "FAMILY" MEANS ANY OF THE FOLLOWING:

39 (a) AN ADULT AND THE ADULT'S SPOUSE.

40 (b) AN ADULT, THE ADULT'S SPOUSE AND ALL UNMARRIED DEPENDENT CHILDREN  
41 UNDER NINETEEN YEARS OF AGE OR UNDER TWENTY-FIVE YEARS OF AGE IF A FULL-TIME  
42 STUDENT.

43 (c) AN ADULT AND THE ADULT'S UNMARRIED DEPENDENT CHILDREN UNDER  
44 NINETEEN YEARS OF AGE OR UNDER TWENTY-FIVE YEARS OF AGE IF A FULL-TIME  
45 STUDENT.

1           2. "HEALTH CARE INSURER" MEANS A DISABILITY INSURER, GROUP DISABILITY  
2 INSURER, BLANKET DISABILITY INSURER, HEALTH CARE SERVICES ORGANIZATION,  
3 HOSPITAL SERVICE CORPORATION, MEDICAL SERVICE CORPORATION OR HOSPITAL,  
4 MEDICAL, DENTAL AND OPTOMETRIC SERVICE CORPORATION THAT PROVIDES HEALTH  
5 INSURANCE IN THIS STATE.

6           3. "HEALTH INSURANCE" MEANS A LICENSED HEALTH CARE PLAN OR ARRANGEMENT  
7 THAT PAYS FOR OR FURNISHES MEDICAL OR HEALTH CARE SERVICES AND THAT IS ISSUED  
8 BY A HEALTH CARE INSURER. HEALTH INSURANCE DOES NOT INCLUDE LIMITED BENEFIT  
9 COVERAGE AS DEFINED IN SECTION 20-1137.

10          4. "SMALL BUSINESS" MEANS A BUSINESS THAT HAS BEEN IN EXISTENCE FOR AT  
11 LEAST ONE CALENDAR YEAR IN THIS STATE, THAT HAS NOT PROVIDED HEALTH INSURANCE  
12 TO ITS EMPLOYEES FOR AT LEAST SIX MONTHS AND THAT HAD BETWEEN TWO AND  
13 TWENTY-FIVE EMPLOYEES DURING THE MOST RECENT CALENDAR YEAR.

14          Sec. 2. Title 43, chapter 2, article 1, Arizona Revised Statutes, is  
15 amended by adding section 43-210, to read:

16          43-210. Premium tax credit; health insurance; certification of  
17 qualified persons; classification; definitions

18          A. THE DEPARTMENT SHALL ISSUE A CERTIFICATE OF ELIGIBILITY TO A PERSON  
19 WHO FILES AN APPLICATION WITH THE DEPARTMENT IN THE FORM AND MANNER  
20 PRESCRIBED BY THE DEPARTMENT ON A FIRST COME, FIRST SERVED BASIS, SUBJECT TO  
21 SUBSECTION E. A PERSON IS ENTITLED TO RECEIVE A CERTIFICATE IF THE  
22 DEPARTMENT DETERMINES MONIES ARE AVAILABLE FOR THIS PROGRAM PURSUANT TO  
23 SUBSECTION E, THE PERSON HAS NEVER BEFORE RECEIVED A CERTIFICATE AND THE  
24 PERSON IS EITHER:

25           1. A SMALL BUSINESS.

26           2. AN INDIVIDUAL WHO SATISFIES ALL OF THE FOLLOWING:

27           (a) EARNS LESS THAN TWO HUNDRED FIFTY PER CENT OF THE FEDERAL POVERTY  
28 LEVEL.

29           (b) IS A LEGAL RESIDENT OF THIS STATE AND A CITIZEN OF THE UNITED  
30 STATES OR A LEGAL RESIDENT ALIEN.

31           (c) HAS NOT BEEN COVERED UNDER A HEALTH INSURANCE POLICY FOR AT LEAST  
32 SIX CONSECUTIVE MONTHS BEFORE THE APPLICATION.

33           (d) IS NOT ENROLLED IN THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM,  
34 MEDICARE OR ANY OTHER STATE OR FEDERAL GOVERNMENT HEALTH INSURANCE PROGRAM.

35          B. A HEALTH CARE INSURER THAT ENROLLS AN INDIVIDUAL OR SMALL BUSINESS  
36 CERTIFIED PURSUANT TO THIS SECTION SHALL DEDUCT THE AMOUNT OF THE CERTIFICATE  
37 FROM THE PREMIUM.

38          C. FOR AN INDIVIDUAL, THE AMOUNT OF THE CERTIFICATE IS THE LESSER OF:

39           1. ONE THOUSAND DOLLARS FOR COVERAGE ON A SINGLE PERSON, FIVE HUNDRED  
40 DOLLARS FOR COVERAGE ON A CHILD OR THREE THOUSAND DOLLARS FOR FAMILY  
41 COVERAGE.

42           2. FIFTY PER CENT OF THE HEALTH INSURANCE PREMIUM.

43          D. FOR A SMALL BUSINESS, THE AMOUNT OF THE CERTIFICATE IS THE LESSER

44          OF:

1           1. ONE THOUSAND DOLLARS FOR COVERAGE ON EACH SINGLE EMPLOYEE OR THREE  
2 THOUSAND DOLLARS FOR EACH EMPLOYEE WHO ELECTS FAMILY COVERAGE.

3           2. FIFTY PER CENT OF THE HEALTH INSURANCE PREMIUM.

4           E. A HEALTH CARE INSURER THAT ENROLLS AN INDIVIDUAL OR SMALL BUSINESS  
5 CERTIFIED PURSUANT TO THIS SECTION SHALL NOTIFY THE DEPARTMENT OF THE  
6 ENROLLMENT AND THE AMOUNT OF PREMIUM TAX CREDIT THEY INTEND TO CLAIM FOR THE  
7 CURRENT CALENDAR YEAR NO LATER THAN THE FIFTEENTH DAY OF THE MONTH FOLLOWING  
8 COMMENCEMENT OF COVERAGE. THE DEPARTMENT SHALL NOT ISSUE ANY CERTIFICATES  
9 UNDER THIS SECTION THAT EXCEED IN THE AGGREGATE A COMBINED TOTAL OF FIVE  
10 MILLION DOLLARS IN ANY CALENDAR YEAR.

11          F. THE INITIAL CERTIFICATE IS VALID FOR A PERIOD OF THIRTY DAYS AFTER  
12 THE DATE THE DEPARTMENT ISSUES THE CERTIFICATE. IF THE INDIVIDUAL OR SMALL  
13 BUSINESS APPLIES FOR HEALTH CARE INSURANCE WITHIN THIS PERIOD OF TIME THE  
14 CERTIFICATE IS VALID FOR ONE YEAR FROM COMMENCEMENT OF COVERAGE.

15          G. SIXTY DAYS BEFORE THE EXPIRATION OF THE CERTIFICATE THE DEPARTMENT  
16 SHALL REVIEW THE STATUS OF THE INDIVIDUAL OR SMALL BUSINESS. IF THE  
17 INDIVIDUAL OR SMALL BUSINESS CONTINUES TO MEET THE QUALIFICATIONS PURSUANT TO  
18 SUBSECTION A, PARAGRAPH 1 OR PARAGRAPH 2, SUBDIVISIONS (a), (b) AND (d) OF  
19 THIS SECTION, THE DEPARTMENT SHALL REISSUE THE CERTIFICATE OF ELIGIBILITY.

20          H. INDIVIDUALS AND SMALL BUSINESSES ARE ELIGIBLE FOR A MAXIMUM OF TWO  
21 REISSUED CERTIFICATES OF ELIGIBILITY.

22          I. THIS SECTION DOES NOT GUARANTEE HEALTH INSURANCE COVERAGE TO AN  
23 INDIVIDUAL OR SMALL BUSINESS PURSUANT TO THIS SECTION.

24          J. THE DEPARTMENT SHALL ISSUE THE CERTIFICATE OF ELIGIBILITY IN THE  
25 NAME OF A SPECIFIC INDIVIDUAL AND THE CERTIFICATE IS NONTRANSFERABLE. A  
26 PERSON WHO SELLS, CONVEYS, TRANSFERS OR ASSIGNS THE CERTIFICATE TO ANOTHER  
27 PERSON OR ATTEMPTS TO SELL, CONVEY, TRANSFER OR ASSIGN THE CERTIFICATE TO  
28 ANOTHER PERSON IS GUILTY OF A CLASS 2 MISDEMEANOR.

29          K. FOR THE PURPOSES OF THIS SECTION:

30           1. "FAMILY" MEANS ANY OF THE FOLLOWING:

31           (a) AN ADULT AND THE ADULT'S SPOUSE.

32           (b) AN ADULT, THE ADULT'S SPOUSE AND ALL UNMARRIED DEPENDENT CHILDREN  
33 UNDER NINETEEN YEARS OF AGE OR UNDER TWENTY-FIVE YEARS OF AGE IF A FULL-TIME  
34 STUDENT.

35           (c) AN ADULT AND THE ADULT'S UNMARRIED DEPENDENT CHILDREN UNDER  
36 NINETEEN YEARS OF AGE OR UNDER TWENTY-FIVE YEARS OF AGE IF A FULL-TIME  
37 STUDENT.

38           2. "FEDERAL POVERTY LEVEL" MEANS THE FEDERAL POVERTY LEVEL GUIDELINES  
39 PUBLISHED ANNUALLY BY THE UNITED STATES DEPARTMENT OF HEALTH AND HUMAN  
40 SERVICES.

41           3. "HEALTH CARE INSURER" MEANS A DISABILITY INSURER, GROUP DISABILITY  
42 INSURER, BLANKET DISABILITY INSURER, HEALTH CARE SERVICES ORGANIZATION,  
43 HOSPITAL SERVICE CORPORATION, MEDICAL SERVICE CORPORATION OR HOSPITAL AND  
44 MEDICAL SERVICE CORPORATION THAT PROVIDES HEALTH INSURANCE IN THIS STATE.

1           4. "HEALTH INSURANCE" MEANS A LICENSED HEALTH CARE PLAN OR ARRANGEMENT  
2 THAT PAYS FOR OR FURNISHES MEDICAL OR HEALTH CARE SERVICES AND THAT IS ISSUED  
3 BY A HEALTH CARE INSURER.

4           5. "SMALL BUSINESS" MEANS A BUSINESS THAT HAS BEEN IN EXISTENCE FOR AT  
5 LEAST ONE CALENDAR YEAR IN THIS STATE, THAT HAD NOT PROVIDED HEALTH INSURANCE  
6 TO ITS EMPLOYEES FOR AT LEAST SIX CONSECUTIVE MONTHS BEFORE THE APPLICATION  
7 AND HAD AT LEAST TWO AND NO MORE THAN TWENTY-FIVE EMPLOYEES DURING THE MOST  
8 RECENT CALENDAR YEAR.

9           Sec. 3. Reporting requirement; termination

10          A. The department of revenue and the department of insurance shall  
11 make information relating to the premium tax credit prescribed by section  
12 20-224.05, Arizona Revised Statutes, as added by this act, available to the  
13 legislative council.

14          B. The legislative council shall submit a report semiannually to the  
15 president of the senate and the speaker of the house of representatives  
16 containing the following information:

17           1. The number of small businesses and individuals who obtained a  
18 certificate of eligibility from the department of revenue.

19           2. A review of the premiums charged by health care insurers for each  
20 certificate of eligibility.

21           3. An analysis of client satisfaction.

22           4. The average annual income of individuals who obtained a certificate  
23 of eligibility.

24           5. The average premium charged by health care insurers.

25           6. Other information necessary to analyze and evaluate the impact on  
26 the accessibility of obtaining health insurance for small businesses and  
27 individuals as a result of this act.

28          C. The reporting requirements of this section end on December 31,  
29 2008.

30          Sec. 4. Appropriations; tax credit administration; exemption

31          A. The sum of \$75,000 is appropriated from the state general fund in  
32 fiscal year 2006-2007 to the department of revenue for the department's  
33 administration of tax credits under section 43-210, Arizona Revised Statutes,  
34 as added by this act.

35          B. The sum of \$30,000 is appropriated from the state general fund in  
36 each of fiscal years 2007-2008, 2008-2009, 2009-2010 and 2010-2011 to the  
37 department of revenue for the department's administration of tax credits  
38 under section 43-210, Arizona Revised Statutes, as added by this act.

39          C. The appropriations made in this section are exempt from the  
40 provisions of section 35-190, Arizona Revised Statutes, relating to lapsing  
41 of appropriations.

**APPROVED BY THE GOVERNOR JUNE 28, 2006.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 28, 2006.**