

SENATE BILL REPORT

SB 6233

As of January 28, 2014

Title: An act relating to assisting self-employed small business owners adversely impacted by health insurance premium changes.

Brief Description: Assisting self-employed small business owners adversely impacted by health insurance premium changes.

Sponsors: Senators Keiser, Rolfes, Kline and Conway.

Brief History:

Committee Activity: Health Care: 1/27/14.

SENATE COMMITTEE ON HEALTH CARE

Staff: Mich'l Needham (786-7442)

Background: The federal Affordable Care Act created significant changes in the individual and small group insurance markets, that resulted in essentially all new plan offerings for 2014 that reflect the new benefit requirements. Washington State has allowed self-employed groups of one person to participate in the small group insurance market. Some small groups have complained that their premiums for the 2014 health benefit plans are much higher than their premiums for the 2013 coverage.

Washington has a business and occupation (B&O) tax that is a gross receipts tax. It is measured on the value of products, gross proceeds of sale, or gross income of the business. Some tax credits are available, including one for small businesses whose tax liability falls below a certain level, e.g., tax liability of \$841 for annual taxpayers.

Summary of Bill: An additional B&O tax credit is provided for small group health insurance that was purchased by a self-employed business owner that participated in insurance as a group of one person. The credit is provided as a one-time credit for the qualifying insurance purchased during the calendar year of 2014.

The Department of Revenue (DOR) must verify a qualified purchase was made. A qualified purchase means the small group insurance purchased by the self-employed business owner has premiums that are 25 percent over the premiums purchased for 2013, and that no other insurance policies were available with less than a 25 percent increase in premiums. DOR

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may coordinate with the Office of Insurance Commissioner to verify the premium rates and availability of products.

The value of the credit is based on the amount of the difference between the previous health insurance premium payments and the new health insurance premium payments.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is a transitional period as we move into robust health care reform. Some small employers were hurt in the transition and this is an attempt to provide a tax break for small business. It may need further refinement. This is an approach to help the smallest of the small businesses. It is a creative idea. The fiscal note seems a little high and maybe we should look at ways to get that down.

OTHER: We are intrigued with the B&O tax credit; it is a unique approach. Some small businesses qualify for the federal tax credit but this could help those that fall in the gap with a one-year bridge. We can probably help hone the numbers to clarify the fiscal impact and offer perfecting amendments to help this move forward.

Persons Testifying: PRO: Senator Keiser, prime sponsor; Mark Johnson, WA Retail Assn.

OTHER: Patrick Connor, National Federation of Independent Business, WA; Gary Smith, Independent Business Assn.