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SENATE BILL NO. 1255

Offered January 18, 2005

A BILL to amend the Code of Virginia by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.11, relating to income tax credits for the cost of health insurance premiums and health savings accounts contributions.

Patron—Lambert

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 3 of Chapter 3 of Title 58.1 a section numbered 58.1-339.11 as follows:

§ 58.1-339.11. Health insurance premiums and health savings accounts contributions tax credit.

A. 1. For taxable years beginning on or after January 1, 2006, any employer who pays for at least one-half of the total annual health insurance premiums on behalf of each employee or makes an annual contribution to the employee's health savings account equal to one-half of the amount in the account, shall be entitled to a credit against the tax levied pursuant to §§ 58.1-320 and 58.1-400. The amount of the credit for each taxable year shall be equal to the lesser of the amount paid during the taxable year by the employer in health insurance premiums and health savings accounts contributions for each employee or \$500 per employee.

2. In addition to the credit allowed in subdivision A 1, an employer that pays at least 10 percent of the annual health insurance premium for an employee's dependent shall be entitled to an annual credit against the tax levied pursuant to §§ 58.1-320 and 58.1-400 equal to the lesser of the actual amount paid for the employee's dependent or \$100. The credit would only be available for one dependent per employee.

The credits authorized by this section shall be available to employers with businesses having 50 or fewer full-time employees. The total amount of credits available annually under this section to each eligible employer shall not exceed \$30,000. Any tax credit not usable for the taxable year may be carried over to the extent usable for the next three taxable years or until the full credit is used, whichever is sooner.

B. For purposes of this section, "health savings accounts" means the same as defined in § 223 of the Internal Revenue Code, as such section may be amended.

C. To claim the credit authorized under this section, the employer shall attach to the income tax return proof of payment for the health insurance premiums and contributions to health savings accounts. The Tax Commissioner shall establish guidelines regarding the information to include and the format for such proof of payment. Such guidelines shall be exempt from the Administrative Process Act (§ 2.2-4000 et seq.).

D. An employer may not claim a credit under this section and a deduction for federal income tax purposes in the same taxable year for health insurance premiums or health savings accounts contributions paid on behalf of an employee.

INTRODUCED

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