



Romney Building, 10th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

## SBT CREDIT FOR HEPATITIS A VACCINE

### House Bill 5820 as passed by the House Second Analysis (8-12-98)

**Sponsor: Rep. Judith Scranton**  
**Committee: Tax Policy**

#### ***THE APPARENT PROBLEM:***

Hepatitis A is a liver disease caused by the hepatitis A virus. It can occur in isolated outbreaks or in widespread epidemics, and leads to about 100 deaths per year. Symptoms can include fatigue, abdominal pain, diarrhea, and nausea. According to the Centers for Disease Control and Prevention (CDC), there are about 125,000 to 200,000 total infections per year nationwide, with about 33 percent of Americans showing evidence of past infection. The cost due to medical expenses and lost work is about \$200 million per year. The primary method of transmission is through fecal-oral contamination, food or waterborne outbreaks, and occasionally through contact with infected blood. However, the hepatitis A vaccine is highly effective in preventing the disease, and provides the potential to have a substantial impact on the disease burden. Inoculations of immune globulin can also give short-term protection from the disease, and can be administered both pre- and post-exposure.

In March of 1997, Calhoun County experienced an epidemic of hepatitis A from tainted strawberries served to children as part of the school hot lunch program. According to a representative from the Calhoun County Health Department, the county on average sees only one to five cases of hepatitis A per year. By time the epidemic ran its course at the end of December, there had been 328 confirmed cases; of those, 201 were primary exposure and 127 were secondary exposure cases. The health department administered 11,750 inoculations of immune globulin; 10,000 people were inoculated in the first 4-6 weeks of the outbreak. With the last known case being identified in December, the epidemic was officially declared to have ended in January of this year. However, hepatitis A is often asymptomatic; therefore many people who are contagious do not know that they have the disease, and so can expose a large number of others to the virus. It is possible that many more people than the 328 cases cited above contracted hepatitis A, but did not realize it. Further, immune

globulin provides only a few months of protection, but the cycle of the infection continued for nine months after the initial exposure. Had the hepatitis A vaccine been available in sufficient amounts to inoculate more people in the community, the number of infections occurring after the initial exposure could have been greatly reduced or prevented.

Legislation has been introduced to establish a program to ensure that adequate amounts of the hepatitis A vaccine (which is more effective in preventing illness associated with secondary exposure) would be available in the event that a similar outbreak of hepatitis A infection occurs in the future. (For further information, see the House Legislative Analysis Section's analysis of House Bill 5817 dated 5-28-98.) Companion legislation has been offered to encourage food service establishments to make sure that their employees are vaccinated against hepatitis A, as the illness is often transmitted through food and water, and also to encourage the vaccination of food service employees with other approved vaccines.

#### ***THE CONTENT OF THE BILL:***

The bill would amend the Single Business Tax Act to allow a food service establishment to claim a credit against the tax for the amount paid in the tax year for hepatitis A immunizations, and for other vaccines recommended by the federal Centers for Disease Control and Prevention, for employees who are residents of Michigan. The amount of the credit could not exceed the usual and customary fee paid for such immunizations under a state-sponsored health insurance program. The credit would not be refundable if it exceeded the taxpayer's liability. The credit would apply in tax years beginning after December 31, 1997. The term "food service establishment" would mean a licensee under Section 12904 of the Public Health Code.

House Bill 5820 (8-12-98)

House Bill 5820 is tie-barred to House Bill 5817.

MCL 208.39c

***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the bill would result in reduced SBT revenues of \$8 to \$10 million per year for the first two years of implementation, and \$3 to \$5 million per year thereafter. (8-12-98)

***ARGUMENTS:***

***For:***

By providing a single business tax credit, the bill would encourage restaurant owners to have all employees vaccinated against hepatitis A (as well as other diseases), which would aid in decreasing transmission of the disease in the event of another outbreak of the disease such as occurred in Calhoun County in 1997.

***Against:***

Restaurants should already be following stringent hygiene requirements, and should not need an additional tax credit to encourage what common sense and existing laws already mandate.

***POSITIONS:***

The Michigan Hotel, Motel, and Resort Association supports the bill. (8-12-98)

The Michigan Restaurant Association supports the bill. (8-12-98)

The Department of Treasury opposes the bill. (8-12-98)

Analyst: D. Martens

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■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.