

HOUSE BILL 465

IN THE HOUSE

January 30, 1979

Introduced and referred to
Committee on Taxation.

1 House BILL NO. 465
2 INTRODUCED BY DENNIS NATHAN

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT TO AMEND SECTION
5 33-2-705, MCA, TO ELIMINATE THE PREMIUM TAX ON HEALTH,
6 ACCIDENT, AND WORKERS' COMPENSATION INSURANCE."

7
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9 Section 1. Section 33-2-705, MCA, is amended to read:

10 "33-2-705. Report on premiums and other consideration
11 -- tax. (1) Each authorized insurer and each formerly
12 authorized insurer with respect to premiums so received
13 while an authorized insurer in this state shall file with
14 the commissioner, on or before March 1 each year, a report
15 (except as to net marine and transportation insurance taxed
16 under subsection (3) below) in form as prescribed by the
17 commissioner showing total direct premium income, including
18 policy, membership, and other fees, premiums paid by
19 application of dividends, refunds, savings, savings coupons,
20 and similar returns or credits to payment of premiums for
21 new or additional or extended or renewed insurance, charges
22 for payment of premium in installments, and all other
23 consideration for insurance from all kinds and classes of
24 insurance whether designated as a premium or otherwise,
25 received by it during the preceding calendar year on account

1 of policies covering property, subjects, or risks located,
2 resident, or to be performed in Montana, with proper
3 proportionate allocation of premium as to such property,
4 subjects, or risks in Montana insured under policies or
5 contracts covering property, subjects, or risks located or
6 resident in more than one state, after deducting from such
7 total direct premium income applicable cancellations,
8 returned premiums, the unabsorbed portion of any deposit
9 premium, the amount of reduction in or refund of premiums
10 allowed to industrial life policyholders for payment of
11 premiums direct to an office of the insurer, all policy
12 dividends, refunds, savings, savings coupons, and other
13 similar returns paid or credited to policyholders with
14 respect to such policies. As to title insurance, "premium"
15 includes only the risk portion of the charge for such
16 insurance. No deduction shall be made of the cash surrender
17 values of policies. Considerations received on annuity
18 contracts shall not be included in total direct premium
19 income and shall not be subject to tax.

20 (2) ~~Coincident~~ Except as provided by subsection (3),
21 ~~coincident~~ with the filing of the tax report referred to in
22 subsection (1) above, each such insurer shall pay to the
23 commissioner a tax upon such net premiums, the tax to be
24 computed at the rate of 2 3/4% of such premiums. Where any
25 insurer has not less than 50% of its paid-in capital stock

1 invested in Montana securities, the insurer shall be allowed
 2 to deduct whatever tax it may have already paid to the state
 3 of Montana and its political subdivisions, during the same
 4 calendar year as to which premium tax is being paid, from
 5 the amount otherwise due under this section. For the purpose
 6 of this provision "paid-in capital stock" as to a mutual or
 7 reciprocal insurer shall be deemed to be an amount equal to
 8 10% of the insurer's assets and "Montana securities" shall
 9 be deemed to include only general obligations of the state
 10 of Montana or of its political subdivisions, mortgage loans
 11 secured by a first lien upon real estate located in Montana,
 12 and real estate located in Montana owned by the insurer, all
 13 if otherwise lawful investments of the insurer under this
 14 code.

15 ~~(3) Net premiums received for accident, health, and~~
 16 ~~workers' compensation insurance placed with a private~~
 17 ~~insurer shall be reported to the commissioner as provided~~
 18 ~~under subsection (1), however, no tax may be imposed on~~
 19 ~~these premiums.~~

20 ~~(3)(4)~~ (a) On or before March 1 of each year each
 21 insurer shall file with the commissioner, on forms as
 22 prescribed and furnished or accepted by him, a report of its
 23 gross underwriting profit on wet marine and transportation
 24 insurance, as defined in 33-1-209, written in this state
 25 during the calendar year next preceding and shall at the

1 same time pay to the commissioner a tax of $3/4$ of 1% of
 2 such gross underwriting profit.

3 (b) Such gross underwriting profit shall be
 4 ascertained by deducting from the net premiums (i.e., gross
 5 premiums less all return premiums and premiums for
 6 reinsurance) on such wet marine and transportation insurance
 7 contracts the net losses paid (i.e., gross losses paid less
 8 salvage and recoveries on reinsurance ceded) during such
 9 calendar year under such contracts. In the case of insurers
 10 issuing participating contracts, such gross underwriting
 11 profit shall not include for computation of the tax
 12 prescribed by this subsection (3) the amounts refunded,
 13 credited, or paid as participation dividends or savings by
 14 such insurers to the holders of such contracts.

15 ~~(4)(5)~~ That portion of the tax paid hereunder by an
 16 insurer on account of premiums received for fire insurance
 17 shall be separately specified in the report as required by
 18 the commissioner, for apportionment as provided by law.
 19 Where insurance against fire is included with insurance of
 20 property against other perils at an undivided premium, the
 21 insurer shall make such reasonable allocation from such
 22 entire premium to the fire portion of the coverage as shall
 23 be stated in such report and as may be approved or accepted
 24 by the commissioner.

25 ~~(5)(6)~~ With respect to authorized insurers the premium

1 tax provided by this section shall be payment in full and in
2 lieu of all other demands for any and all state, county,
3 city, district, municipal, and school taxes, licenses, fees,
4 and excises of whatever kind or character, excepting only
5 those prescribed by this code, taxes on real and tangible
6 personal property located in this state, and taxes payable
7 under 50-3-109.

8 ~~(6)(7)~~ The commissioner may suspend or revoke the
9 certificate of authority of any insurer which fails to pay
10 its taxes as required under this section."

-End-

STATE OF MONTANA

REQUEST NO. 200-79

FISCAL NOTE

Form BD-15

In compliance with a written request received 1 February, 19 79, there is hereby submitted a Fiscal Note for HB 465 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

House Bill 465 is an act to eliminate taxes now being collected on Health, Accident, and Workmens Compensation insurance premiums; amending section 33-2-705, M.C.A. without stating an effective date.

ASSUMPTIONS:

1. Act would be effective July 1, 1979 and since this tax is collected only once each year (due March 1) the first receipts affected would be those made during February 1980.
2. Revenue losses are based on collections made March 1, 1978 and the average increase of premiums written during the last 5 years which is 7.8%.
3. Revenue loss will be realized in F.Y. 1980 and F.Y. 1981, each for one calendar year period of premiums written.

REVENUE IMPACT:

	F.Y. 80	F.Y. 81
Premium Tax - Current Law	\$ 11,917,000	\$12,847,000
Premium Tax - Proposed Law	<u>8,831,000</u>	<u>9,520,000</u>
Decrease in Tax Collections transmitted to General Fund	<u>\$ 3,086,000</u>	<u>\$ 3,327,000</u>

Richard L. Tracy for
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/6/79