

HOUSE BILL 76

Introduced by Bardanouve

1/05	Introduced
1/06	Referred to Taxation
1/06	Fiscal Note Requested
1/13	Fiscal Note Received
1/16	Fiscal Note Printed
2/14	Hearing
3/01	Committee Report--Bill Passed
3/03	2nd Reading Do Pass Motion Failed

1 House BILL NO. 76
 2 INTRODUCED BY BaDonore
 3
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO ELIMINATE THE
 5 MONTANA LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION
 6 PREMIUM TAX OFFSET; AMENDING SECTION 33-10-230, MCA; AND
 7 PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE
 8 APPLICABILITY DATE."
 9

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 **Section 1.** Section 33-10-230, MCA, is amended to read:

12 "33-10-230. Tax -- writeoffs of certificates of
 13 contribution. (1) Unless a longer period has been allowed by
 14 the commissioner, a member insurer shall at its option have
 15 the right to show a certificate of contribution for a Class
 16 B assessment only as an asset in the form approved by the
 17 commissioner pursuant to 33-10-227(8), at percentages of the
 18 original face amount approved by the commissioner, for
 19 calendar years as follows:

- 20 (a) 100% for calendar year of issuance;
 21 (b) 80% for the first calendar year after year of
 22 issuance;
 23 (c) 60% for second calendar year after year of
 24 issuance;
 25 (d) 40% for third calendar year after year of

1 issuance;

2 (e) 20% for fourth calendar year after year of
 3 issuance.

4 ~~{2}--The--insurer--may--offset--the--amount--written--off--by~~
 5 ~~it--in--the--calendar--year--under--subsection--{1}--above--against~~
 6 ~~its--premium--tax--liability--to--this--state--accrued--with--respect~~
 7 ~~to--business--transacted--in--such--year--~~

8 ~~{3}{2}~~ Any sums acquired by refund, pursuant to
 9 33-10-227(6), from the association which have therefore been
 10 written off by contributing insurers ~~and--offset--against~~
 11 ~~premium--taxes--as--provided--in--subsection--{2}--above~~ and are
 12 not then needed for purposes of this part shall be paid by
 13 the association to the commissioner and by him deposited
 14 with the state treasurer for credit to the general fund of
 15 this state."

16 **Section 2.** Extension of authority. Any existing
 17 authority to make rules on the subject of the provisions of
 18 [this act] is extended to the provisions of [this act].

19 **Section 3.** Effective date -- retroactive
 20 applicability. (1) [This act] is effective on passage and
 21 approval.

22 (2) [Section 1] applies retroactively, within the
 23 meaning of 1-2-109, to an insurer's premium tax liability to
 24 this state with respect to insurance business transacted
 25 during the calendar year 1989 and thereafter for insurance

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1 covering subjects residing or risks located in Montana.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB076, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to eliminate the Montana Life and Health Insurance Guaranty Association premium tax offset; amending section 33-10-230, MCA; and providing an immediate effective date and a retroactive applicability date.

ASSUMPTIONS:

1. All insurers will take the guaranty fund assessment against premium taxes in accordance with current law.
2. The guaranty fund assessment of \$5,000,000, levied on December 1987, was not paid by all insurers until 1988. A \$5,000,000 assessment was levied also in 1988.
3. No additional administrative costs will result to the state of Montana as a result of passage of this bill.
4. Assessments levied for the insolvency of Life of Montana were \$5,000,000, each year, in 1987 and 1988. Additional assessments of \$5,000,000 per year are anticipated in 1989, 1990, 1991, and 1992. Thus the total cost of the insolvency is estimated to be \$30,000,000.
5. The remaining assets of Life of Montana Insurance Company will not be available to the guaranty fund to pay claims, but instead will be required to pay administrative expenses.

FISCAL IMPACT:


	<u>Proposed Legislation</u>	
	<u>FY90</u>	<u>FY91</u>
<u>Additional Revenue:</u>		
General Fund	\$2,080,000	\$3,080,000

LONG RANGE EFFECTS OF PROPOSED LEGISLATION:

Passage of the bill would result in increased revenues in subsequent fiscal years as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1992	\$4,000,000	1995	\$4,000,000	1998	\$1,000,000
1993	\$5,000,000	1996	\$3,000,000		
1994	\$6,000,000	1997	\$2,000,000		

It is unclear what the financial effect of eliminating the offset for future liquidations will be on revenues.


 RAY SHACKLEFORD, BUDGET DIRECTOR
 OFFICE OF BUDGET AND PROGRAM PLANNING
 DATE 1/12/89


 FRANCIS BARDANOUE, PRIMARY SPONSOR
 DATE

Fiscal Note for HB076, as introduced

HB 76

APPROVED BY COMMITTEE
ON TAXATION

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22 issuance;
23 (c) 60% for second calendar year after year of
24 issuance;
25 (d) 40% for third calendar year after year of

1 issuance;

2 (e) 20% for fourth calendar year after year of
3 issuance.

4 ~~(2) The insurer may offset the amount written off by~~
5 ~~it in the calendar year under subsection (1) above against~~
6 ~~its premium tax liability to this state accrued with respect~~
7 ~~to business transacted in such year.~~

8 ~~(3)(2)~~ Any sums acquired by refund, pursuant to
9 33-10-227(6), from the association which have therefore been
10 written off by contributing insurers ~~and offset against~~
11 ~~premium taxes as provided in subsection (2) above~~ and are
12 not then needed for purposes of this part shall be paid by
13 the association to the commissioner and by him deposited
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