



131st MAINE LEGISLATURE

FIRST SPECIAL SESSION-2023

Legislative Document

No. 1720

S.P. 683

In Senate, April 18, 2023

An Act to Phase Out the Insurance Premium Tax on Annuities

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator BENNETT of Oxford.

Cosponsored by Representatives: ARATA of New Gloucester, MILLETT of Waterford,
TERRY of Gorham.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 36 MRSA §2513, first ¶**, as amended by PL 2011, c. 331, §12 and affected
3 by §§16 and 17, is further amended to read:

4 ~~Every~~ Except as provided in section 2513-D, every insurance company or association
5 that does business or collects premiums or assessments including annuity considerations in
6 the State, including surety companies and companies engaged in the business of credit
7 insurance or title insurance, shall, for the privilege of doing business in this State and in
8 addition to any other taxes imposed for that privilege, pay a tax upon all gross direct
9 premiums including annuity considerations, whether in cash or otherwise, on contracts
10 written on risks located or resident in the State for insurance of life, annuity, fire, casualty
11 and other risks at the rate of 2% a year. Every nonadmitted insurer that does business or
12 collects premiums in the State shall, for the privilege of doing business in this State and in
13 addition to any other taxes imposed for that privilege, pay a tax upon all gross direct
14 premiums, whether in cash or otherwise, as provided in section 2531. For purposes of this
15 ~~section~~ chapter, the term "annuity considerations" includes amounts paid to an insurance
16 company for the purchase of a contract that may result in an annuity, even if the
17 annuitization never occurs or does not occur until some time in the future and the amounts
18 are in the meantime applied to an investment vehicle other than an annuity. This section
19 does not apply to mutual fire insurance companies subject to tax under section 2517 or to
20 captive insurance companies formed or licensed under Title 24-A, chapter 83 or under the
21 laws of another state.

22 **Sec. 2. 36 MRSA §2513-D** is enacted to read:

23 **§2513-D. Tax on annuity considerations**

24 **1. Phase-out of tax.** Notwithstanding any provision of this chapter to the contrary,
25 the rate of tax under this chapter for annuity considerations is 1.8% in calendar year 2024,
26 1.6% in calendar year 2025, 1.4% in calendar year 2026, 1.2% in calendar year 2027, 1%
27 in calendar year 2028, 0.8% in calendar year 2029, 0.6% in calendar year 2030, 0.4% in
28 calendar year 2031 and 0.2% in calendar year 2032. Beginning in calendar year 2033,
29 annuity considerations are not subject to tax under this chapter, but taxes due for previous
30 years may be collected.

31 **2. Application of reduced rate on annuities.** The reduced rates specified in
32 subsection 1 for calendar years 2024 to 2032 apply to premiums on an annuity paid by
33 annuity holders in this State only if the tax savings from the reduced rate are credited to the
34 annuity holders. Upon request of the bureau, an insurer shall submit evidence that
35 establishes that the tax savings derived from the reduced rate under this section have been
36 credited to the annuity holders.

37 **3. Foreign insurance companies.** Section 2519 does not apply to annuity
38 considerations subject to tax under this section.

39 **Sec. 3. 36 MRSA §2515**, as amended by PL 2013, c. 331, Pt. C, §11, is further
40 amended to read:

41 **§2515. Amount of tax**

42 In determining the amount of tax due under sections 2513 and 2531, each company
43 shall deduct from the full amount of gross direct premiums the amount of all direct return

1 premiums on the gross direct premiums and all dividends paid to policyholders on direct
2 premiums, and the tax must be computed by those companies or their agents. Except when
3 direct return premiums are returned in the same tax year that the premium was paid, the
4 deduction allowed in this section may be taken only if the tax under this Part has been paid.
5 For tax periods beginning on or after January 1, 2024, the deductions under this section
6 related to annuity considerations may be deducted only from annuity considerations.

7 **SUMMARY**

8 This bill phases out the insurance premium tax on all annuity considerations over 10
9 years beginning in 2024 and provides that during the phase-out period the retaliatory tax
10 on non-Maine insurance companies does not apply. The bill also specifies that certain
11 deductions related to annuities may be deducted only from annuity considerations for tax
12 periods beginning on or after January 1, 2024.