

SENATE BILL NO. 8

INTRODUCED BY E. BUTTREY

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING INSURANCE PREMIUM TAX RATES PERTAINING TO HEALTH INSURANCE ISSUERS; REQUIRING HEALTH INSURANCE ISSUERS TO PAY A 2.75% TAX ON NET PREMIUMS COLLECTED UNTIL DECEMBER 31, 2019, AND A 2% TAX ON NET PREMIUMS COLLECTED ON OR AFTER JANUARY 1, 2020; AMENDING SECTIONS 33-2-705 AND 33-30-102, MCA; REPEALING 33-30-203, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

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

"33-2-705. Report on premiums and other consideration -- tax. (1) Each authorized insurer and each formerly authorized insurer with respect to premiums received while an authorized insurer in this state shall file with the commissioner, on or before March 1 each year, a report in a form prescribed by the commissioner showing total direct premium income, including policy, membership, and other fees, premiums paid by application of dividends, refunds, savings, savings coupons, and similar returns or credits to payment of premiums for new or additional or extended or renewed insurance, charges for payment of premium in installments, and all other consideration for insurance from all kinds and classes of insurance, whether designated as a premium or otherwise, received by a life insurer or written by an insurer other than a life insurer during the preceding calendar year on account of policies covering property, subjects, or risks located, resident, or to be performed in Montana, with proper proportionate allocation of premium as to property, subjects, or risks in Montana insured under policies or contracts covering property, subjects, or risks located or resident in more than one state, after deducting from the total direct premium income applicable cancellations, returned premiums, the unabsorbed portion of any deposit premium, the amount of reduction in or refund of premiums allowed to industrial life policyholders for payment of premiums direct to an office of the insurer, all policy dividends, refunds, savings, savings coupons, and other similar returns paid or credited to policyholders with respect to the policies. As to title insurance, "premium" includes the total charge for the insurance. A deduction may not be made of the cash surrender values of policies. Considerations received on annuity contracts may not be included in total direct premium income and are not subject to tax.



1 (2) (a) Except as provided in subsections (2)(b) ~~and (2)(c)~~, through (2)(d) coincident with the filing of the
2 tax report referred to in subsection (1) and subject to 33-2-709, each insurer shall pay to the commissioner a tax
3 on the net premiums computed at ~~the a~~ rate of 2.75%.

4 (b) All casualty insurers issuing policies of legal professional liability insurance pursuant to 33-1-206 shall
5 pay to the commissioner a tax on the net premiums derived from legal professional liability insurance computed
6 at a rate of 0.75%.

7 (c) A dormant captive insurer that has a valid certificate of dormancy shall pay to the commissioner an
8 annual dormancy tax of \$1,000 as provided in 33-28-401.

9 (d) Effective for premiums collected on or after January 1, 2020, health insurance issuers shall pay to
10 the commissioner a tax on the net premiums computed at a rate of 2%. In addition to the information required in
11 subsection (1), health insurance issuers shall specifically identify any changes in premium charged to insureds
12 resulting from the 2% rate. For purposes of this subsection (2)(d), the term "health insurance issuer" means any
13 insurer or health service corporation that issues individual health insurance coverage or group health insurance
14 coverage.

15 (3) That portion of the tax paid under this section by an insurer on account of premiums received for fire
16 insurance must be separately specified in the report required by the commissioner for apportionment as provided
17 by law. When insurance against fire is included with insurance of property against other perils at an undivided
18 premium, the insurer shall make a reasonable allocation from the entire premium to the fire portion of the
19 coverage as must be stated in the report and as may be approved or accepted by the commissioner.

20 (4) With respect to authorized insurers, the premium tax provided by this section or the annual dormancy
21 tax under 33-28-401 must be payment in full and in lieu of all other demands for any and all state, county, city,
22 district, municipal, and school taxes, licenses, fees, and excises of whatever kind or character, excepting only
23 those prescribed by this code, taxes on real and tangible personal property located in this state, and taxes
24 payable under 50-3-109.

25 (5) The commissioner may suspend or revoke the certificate of authority of any insurer that fails to pay
26 its taxes as required under this section.

27 (6) In addition to the penalty provided for in subsection (5), the commissioner may impose on an insurer
28 who fails to pay the tax required under this section a fine of \$100 plus interest on the delinquent amount at the
29 annual interest rate of 12%.

30 (7) The commissioner may by rule provide a quarterly schedule for payment of portions of the premium

1 tax under this section during the year in which tax liability is accrued."

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3 **Section 2.** Section 33-30-102, MCA, is amended to read:

4 **"33-30-102. Application of chapter -- construction of other related laws.** (1) All health service
5 corporations are subject to the provisions of this chapter. In addition to the provisions contained in this chapter,
6 other chapters and provisions of this title apply to health service corporations as follows: 33-2-705; 33-2-710;
7 33-2-1212; 33-3-307; 33-3-308; 33-3-401; 33-3-431; 33-3-701 through 33-3-704; 33-17-101; Title 33, chapter 2,
8 parts 13, 19, and 23; Title 33, chapter 3, part 6; Title 33, chapter 17, parts 2 and 10 through 12; and Title 33,
9 chapters 1, 15, 18, 19, 22, and 32, except 33-22-111.

10 (2) A law of this state other than the provisions of this chapter applicable to health service corporations
11 must be construed in accordance with the fundamental nature of a health service corporation, and in the event
12 of a conflict, the provisions of this chapter prevail."

13

14 NEW SECTION. **Section 3. Repealer.** The following section of the Montana Code Annotated is
15 repealed:

16 33-30-203. Premium tax exemption.

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18 NEW SECTION. **Section 4. Effective date.** [This act] is effective on passage and approval.

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20 NEW SECTION. **Section 5. Applicability.** [This act] applies to premiums collected by insurers or health
21 service corporations beginning on January 1, 2018.

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