

ASSEMBLY BILL NO. 137—ASSEMBLYWOMAN CARLTON

PREFILED FEBRUARY 10, 2017

Referred to Committee on Taxation

SUMMARY—Revises provisions relating to the insurance premium tax. (BDR 32-68)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

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AN ACT relating to taxation; eliminating provisions that cap and repeal the tax credits that an insurer may take against the general tax on insurance premiums; and providing other matters properly relating thereto.

**Legislative Counsel's Digest:**

1 Existing law requires each insurer to pay to the Department of Taxation a tax  
2 upon net direct premium and net direct considerations written at the rate of 3.5  
3 percent. (NRS 680B.027) Existing law authorizes a domestic or foreign insurer that  
4 owns and substantially occupies and uses any building in this State as its home  
5 office or as a regional home office to take as credits against the general tax on  
6 insurance premiums otherwise imposed: (1) an amount equal to 50 percent of the  
7 aggregate amount of the tax; and (2) an amount equal to the full amount of ad  
8 valorem taxes paid by the insurer upon the home office or regional home office.  
9 (NRS 680B.050, 680B.055) Assembly Bill No. 3 of the 28th Special Session of the  
10 Legislature (2014) limited the amount of such tax credits to \$5,000,000 until  
11 January 1, 2021, and will eliminate them entirely thereafter. **Sections 3, 4 and 6** of  
12 this bill reverse the changes made to chapter 680B of NRS during the 2014 Special  
13 Session. **Section 3** removes the cap on the total amount of credits that an insurer  
14 may take against the general tax on insurance premiums, and **section 6** prevents the  
15 elimination of such credits. **Section 3** also prohibits an insurer from claiming  
16 the tax reduction for more than 10 separate calendar years, including years in which  
17 the tax reduction was claimed before July 1, 2017.

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THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1     **Section 1.** (Deleted by amendment.)

2     **Sec. 2.** (Deleted by amendment.)

3     **Sec. 3.** NRS 680B.050 is hereby amended to read as follows:

4     680B.050 1. Except as otherwise provided in this section, a  
5 domestic or foreign insurer, including, without limitation, an insurer  
6 that is exempt from federal taxation pursuant to 26 U.S.C. §  
7 501(c)(29), which owns and substantially occupies and uses any  
8 building in this state as its home office or as a regional home office  
9 is entitled to ~~{a credit}~~ *the following credits* against the tax  
10 otherwise imposed by NRS 680B.027 : ~~{in an amount determined~~  
11 ~~pursuant to subsections 2 and 3.~~

12 ~~—2.— To determine the amount of the credit to which an insurer is~~  
13 ~~entitled, the insurer must first calculate:}~~

14     (a) An amount equal to 50 percent of the aggregate amount of  
15 the tax as determined under NRS 680B.025 to 680B.039, inclusive;  
16 and

17     (b) An amount equal to the full amount of ad valorem taxes paid  
18 by the insurer during the calendar year next preceding the filing of  
19 the report required by NRS 680B.030, upon the home office or  
20 regional home office together with the land, as reasonably required  
21 for the convenient use of the office, upon which the home office or  
22 regional home office is situated.

23 ~~{3.— The total aggregate amount of credits that may be applied~~  
24 ~~by all insurers pursuant to subsection 1 must not exceed \$5,000,000~~  
25 ~~and must be allocated to each insurer on a pro rata basis by~~  
26 ~~determining the percentage of the total amount calculated for all~~  
27 ~~insurers pursuant to subsection 2 that is allocable to each insurer.—~~

28 ~~—4.}~~

29 *↳ These credits must not reduce the amount of tax payable to less*  
30 *than 20 percent of the tax otherwise payable by the insurer under*  
31 *NRS 680B.027.*

32     2. As used in this section, a “regional home office” means an  
33 office of the insurer performing for an area covering two or more  
34 states, with a minimum of 25 employees on its office staff, the  
35 supervision, underwriting, issuing and servicing of the insurance  
36 business of the insurer.

37     ~~{5.}~~ 3. The insurer shall, on or before March 15 of each year,  
38 furnish proof to the satisfaction of the Executive Director of the  
39 Department of Taxation, on forms furnished by or acceptable to the  
40 Executive Director, as to its entitlement to the tax reduction  
41 provided for in this section. A determination of the Executive  
42 Director of the Department of Taxation pursuant to this section is



1 not binding upon the Commissioner for the purposes of NRS  
2 682A.430 to 682A.436, inclusive.

3 ~~6.1~~ 4. An insurer is not entitled to the credits provided in this  
4 section unless:

5 (a) The insurer owned the property upon which the reduction is  
6 based for the entire year for which the reduction is claimed; and

7 (b) The insurer occupied at least 70 percent of the usable space  
8 in the building to transact insurance or the insurer is a general or  
9 limited partner and occupies 100 percent of its ownership interest in  
10 the building.

11 ~~7.1~~ 5. If two or more insurers under common ownership or  
12 management and control jointly own in equal interest, and jointly  
13 occupy and use such a home office or regional home office in this  
14 state for the conduct and administration of their respective insurance  
15 businesses as provided in this section, each of the insurers is entitled  
16 to the credits provided for by this section if otherwise qualified  
17 therefor under this section.

18 ~~8.1~~ 6. *An insurer shall not claim the tax reduction provided  
19 for in this section in more than 10 separate calendar years,  
20 including years in which the tax reduction was claimed before  
21 July 1, 2017.*

22 7. For the purposes of subsection 1, any insurer that is exempt  
23 from federal taxation pursuant to 26 U.S.C. § 501(c)(29) and is  
24 restricted or prohibited from purchasing or owning real property  
25 pursuant to a contract with the Federal Government, including any  
26 entity thereof, shall be deemed to own any portion of any real  
27 property that the insurer occupies. The provisions of this subsection  
28 expire upon the expiration, cancellation, repayment or any other  
29 termination of the contract restricting or prohibiting such purchase  
30 or ownership.

31 **Sec. 4.** Section 4 of chapter 1, Statutes of Nevada 2014, 28th  
32 Special Session, at page 3, is hereby amended to read as follows:

33 Sec. 4. ~~1.1~~ This ~~section and section 2 of this~~ act  
34 ~~become~~ *becomes* effective on January 1, 2016.

35 ~~2. Sections 1 and 3 of this act become effective on~~  
36 ~~January 1, 2021.~~

37 **Sec. 5.** (Deleted by amendment.)

38 **Sec. 6.** Sections 1 and 3 of chapter 1, Statutes of Nevada 2014,  
39 at pages 1, 2 and 3, respectively, are hereby repealed.

40 **Sec. 7.** This act becomes effective on July 1, 2017.



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**TEXT OF REPEALED SECTIONS**

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**Section 1 of chapter 1, Statutes of Nevada 2014:**

Section 1. NRS 680B.027 is hereby amended to read as follows:

680B.027 1. Except as otherwise provided in NRS 680B.033, 680B.0353 ~~1, 680B.050~~ and 690C.110, for the privilege of transacting business in this State, each insurer shall pay to the Department of Taxation a tax upon his or her net direct premiums and net direct considerations written at the rate of 3.5 percent.

2. The tax must be paid in the manner required by NRS 680B.030 and 680B.032.

3. The Commissioner or the Executive Director of the Department of Taxation may require at any time verified supplemental statements with reference to any matter pertinent to the proper assessment of the tax.

**Section 3 of chapter 1, Statutes of Nevada 2014:**

Sec. 3. NRS 680B.050 and 680B.055 are hereby repealed.

