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HOUSE BILL 1646

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State of Washington

68th Legislature

2023 Regular Session

By Representative Schmick

1 AN ACT Relating to promoting lower insurance premiums by creating  
2 a variable insurance premiums tax rate that does not exceed two  
3 percent; and amending RCW 48.14.020.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 48.14.020 and 2021 c 281 s 7 are each amended to  
6 read as follows:

7 (1) (a) Subject to other provisions of this chapter, each  
8 authorized insurer except title insurers and registered eligible  
9 captive insurers as defined in RCW 48.201.020 shall on or before the  
10 first day of March of each year pay to the state treasurer through  
11 the commissioner's office a tax on premiums.

12 (b) Except as provided in subsection (3) of this section, such  
13 tax shall be in the amount of two percent of all premiums, excluding  
14 amounts returned to or the amount of reductions in premiums allowed  
15 to holders of industrial life policies for payment of premiums  
16 directly to an office of the insurer, collected or received by the  
17 insurer under RCW 48.14.090 during the preceding calendar year other  
18 than ocean marine and foreign trade insurances, after deducting  
19 premiums paid to policyholders as returned premiums, upon risks or  
20 property resident, situated, or to be performed in this state. For  
21 tax purposes, the reporting of premiums shall be on a written basis

1 or on a paid-for basis consistent with the basis required by the  
2 annual statement.

3 (c) For the purposes of this section, the consideration received  
4 by an insurer for the granting of an annuity shall not be deemed to  
5 be a premium.

6 (2)(a) The taxes imposed in this section do not apply to amounts  
7 received by any life and disability insurer for health care services  
8 included within the definition of practice of dentistry under RCW  
9 18.32.020 except amounts received for pediatric oral services that  
10 qualify as coverage for the minimum essential coverage requirement  
11 under P.L. 111-148 (2010), as amended, and for stand-alone family  
12 dental plans as defined in RCW 43.71.080(4)(a), only when offered in  
13 the individual market, as defined in RCW 48.43.005, or to a small  
14 group, as defined in RCW 48.43.005.

15 (b) Beginning January 1, 2014, moneys collected for premiums  
16 written on qualified health benefit plans and qualified dental plans  
17 offered through the health benefit exchange under chapter 43.71 RCW  
18 must be deposited in the health benefit exchange account under RCW  
19 43.71.060.

20 (3)(a) In the case of insurers which require the payment by their  
21 policyholders at the inception of their policies of the entire  
22 premium thereon in the form of premiums or premium deposits which are  
23 the same in amount, based on the character of the risks, regardless  
24 of the length of term for which such policies are written, such tax  
25 shall be in the amount of two percent of the gross amount of such  
26 premiums and premium deposits upon policies on risks resident,  
27 located, or to be performed in this state, in force as of the  
28 (~~thirty-first~~) 31st day of December next preceding, less the unused  
29 or unabsorbed portion of such premiums and premium deposits computed  
30 at the average rate thereof actually paid or credited to  
31 policyholders or applied in part payment of any renewal premiums or  
32 premium deposits on one-year policies expiring during such year.

33 (b) The commissioner's office must annually adjust the tax rate  
34 applied to premiums under subsection (1)(b) of this section by  
35 calculating the three-year average of the year-over-year percentage  
36 change in insurance premium taxes collected pursuant to this section.  
37 The three-year period consists of the three tax years immediately  
38 preceding the current tax year in order to calculate the rate for the  
39 upcoming tax year. The tax rate in subsection (1)(b) of this section  
40 must be reduced by the three-year average revenue change. The

1 adjusted premium tax rate under this subsection (3)(b) may not exceed  
2 two percent.

3 (4) Each authorized insurer shall with respect to all ocean  
4 marine and foreign trade insurance contracts written within this  
5 state during the preceding calendar year, on or before the first day  
6 of March of each year pay to the state treasurer through the  
7 commissioner's office a tax of (~~ninety-five one-hundredths of one~~)  
8 0.95 percent on its gross underwriting profit. Such gross  
9 underwriting profit shall be ascertained by deducting from the net  
10 premiums (i.e., gross premiums less all return premiums and premiums  
11 for reinsurance) on such ocean marine and foreign trade insurance  
12 contracts the net losses paid (i.e., gross losses paid less salvage  
13 and recoveries on reinsurance ceded) during such calendar year under  
14 such contracts. In the case of insurers issuing participating  
15 contracts, such gross underwriting profit shall not include, for  
16 computation of the tax prescribed by this subsection, the amounts  
17 refunded, or paid as participation dividends, by such insurers to the  
18 holders of such contracts.

19 (5) The state does hereby preempt the field of imposing excise or  
20 privilege taxes upon insurers or their appointed insurance producers,  
21 other than title insurers, and no county, city, town or other  
22 municipal subdivision shall have the right to impose any such taxes  
23 upon such insurers or these insurance producers.

24 (6) If an authorized insurer collects or receives any such  
25 premiums on account of policies in force in this state which were  
26 originally issued by another insurer and which other insurer is not  
27 authorized to transact insurance in this state on its own account,  
28 such collecting insurer shall be liable for and shall pay the tax on  
29 such premiums.

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