

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

SECOND REGULAR SESSION-1993

Legislative Document

No. 1573

S.P. 548

In Senate, December 14, 1993

An Act Governing Special Purpose Investment Subsidiaries.

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 26.
Received by the Secretary of the Senate on December 14, 1993. Referred to the Committee
on Taxation and 1200 ordered printed pursuant to Joint Rule 14.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator BALDACCI of Penobscot.

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

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3 **Sec. 1. 24-A MRSA §605, sub-§1**, as amended by PL 1989, c. 502,
4 Pt. A, §93, is further amended to read:

6 1. Payment by the insurer of the taxes as required by Title
7 25, section 2399 and Title 36, chapter 357 shall be in lieu of
8 all taxes imposed by the State upon the insurer, or any
9 subsidiary referred to in section 1157, subsection 5, paragraph
10 B, subparagraph (1), upon premiums or upon income, and of any
11 franchise, privilege or other taxes measured by income of the
12 insurer or the subsidiary.

14 **Sec. 2. 24-A MRSA §605, sub-§2**, as enacted by PL 1969, c. 132,
15 §1, is amended to read:

16 2. The State hereby preempts the field of regulating, or of
17 imposing excise, privilege, franchise, income, license, permit,
18 registration and similar taxes, licenses and fees upon, insurers
19 and, any subsidiary referred to in section 1157, subsection 5,
20 paragraph B, subparagraph (1), their general agents, agents and
21 other representatives as such; and on the intangible property of
22 insurers, any subsidiary referred to in section 1157, subsection
23 5, paragraph B, subparagraph (1), or such representatives; and
24 all political subdivisions or agencies thereof in this State are
25 prohibited from regulating insurers, any subsidiary referred to
26 in section 1157, subsection 5, paragraph B, subparagraph (1), or
27 their general agents, agents and other representatives as such,
28 and from imposing upon them any such tax, license, or fee.
29 Except that this provision shall not prohibit the imposition by
30 political subdivisions of taxes upon real and tangible personal
31 property.
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34 **Sec. 3. 24-A MRSA §1157, sub-§5, ¶B**, as enacted by PL 1987, c.
35 399, §14, is amended to read:

36 B. Investments made directly or indirectly in the following
37 subsidiaries are not subject to the limitations contained in
38 paragraph A, or in section 1155 or 1156, nor are these
39 investments to be counted in determining compliance with
40 those limitations:

41 (1) Subsidiaries, all of whose stock is owned by one
42 or more insurers, engaged or organized to engage
43 exclusively in the ownership or management of assets
44 authorized under this chapter as investments for the
45 insurer; and

46 (2) Subsidiaries engaged or organized to engage in the
47 kinds of business in which the insurer may engage,
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2 provided that the aggregate net cost of the insurer's
investments in all such subsidiaries may not exceed 50%
4 of its surplus as to policyholders.

6 Any investment described in section 3415 shall not be
counted as an investment in a subsidiary in determining
8 compliance with the limitations of this subsection.

10 **Sec. 4. 36 MRSA §5102, sub-§6,** as amended by PL 1985, c. 783,
§18, is further amended to read:

12 **6. Corporation.** "Corporation" means any business entity
subject to income taxation as a corporation under the laws of the
14 United States, excepting corporations subject to tax under
sections 2512 to 2522 and section 5206, or a business entity
16 referred to in Title 24-A, section 1157, subsection 5, paragraph
B, subparagraph (1).

18 **Sec. 5. Application.** This Act applies to tax years beginning
20 on or after January 1, 1994.

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STATEMENT OF FACT

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The purpose of this bill is to conform the Maine tax laws
with changes made to the insurance laws in 1987 and allow
28 insurers to create separate business corporations to conduct
investment operations. The Maine Insurance Code currently allows
30 insurance companies to invest through special purpose investment
subsidiaries; however, without a change in the law, insurers can
32 not use investment subsidiaries because investments held in such
subsidiaries may be subject to Maine income tax, while those held
34 by the insurer, which is taxed on premium rather than income, are
not subject to income tax. This bill will allow use of an
36 investment subsidiary by exempting its income from Maine tax.

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This document has not yet been reviewed to determine the
44 need for cross-reference, stylistic and other technical
amendments to conform existing law to current drafting standards.

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