



118th MAINE LEGISLATURE

FIRST SPECIAL SESSION-1997

Legislative Document

No. 1885

H.P. 1336

House of Representatives, May 23, 1997

An Act to Amend the Insurance Premium Tax for Certain Large Domestic Insurers.

Reported by Representative TRIPP for the Joint Standing Committee on Taxation pursuant to Joint Order H.P. 1323.

OSEPH W. MAYO, Clerk

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

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Sec. 1. 36 MRSA §2513, as amended by PL 1989, c. 556, Pt. B, §5, is further amended by adding at the end a new paragraph to read:

Notwithstanding this section, for tax years commencing on or 8 after January 1, 1997, the tax imposed by this section with respect to premiums on qualified group disability policies 10 written by every insurer, except a large domestic insurer, must be at the rate of 1% and must be at the rate of 2.55% with 12 respect to those premiums written by every large domestic insurer. For the purposes of this section, the term "qualified 14 group disability policies" is limited to group health insurance policies properly reported as such in the insurer's annual 16 statement and whose sole coverage is the full or partial replacement of an individual's income in the event of 18 disability. Policies that contain coverages in addition to replacement of income coverage are considered to solely provide 20 that coverage as long as the premium related to the additional coverages is not more than 10% of the total premium charged. The 22 term "qualified group disability policies" does not include workers' compensation insurance policies, policies that include 24 coverages that are collectively renewable, policies that provide for credit disability insurance or policies that pay benefits 26 only upon the occurrence of hospitalization. For purposes of this section, a "large domestic insurer" is any insurer domiciled 28 in this State with assets in excess of \$5,000,000,000 as reported on its annual statement.

FISCAL NOTE

This bill will have no net impact on the General Fund revenue from insurance premium taxes. The decrease in revenue of approximately \$70,000 annually due to the reduction in the insurance premium tax rates for certain insurers is offset by an equal increase in revenue due to the increase in the insurance premium tax rates for other insurers.

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SUMMARY

This bill amends the Maine Revised Statutes, Title 36, 44 section 2513 to reduce the premium tax rate on group disability insurance premiums from 2% to 1%, except for those premiums 46 written by large domestic insurers. The premium tax rate for such premium written by large domestic insurers is increased to 48 2.55%. The effect of this bill is to reduce the retaliatory taxes imposed by other states on Maine insurance companies doing 50 business in those states.

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