

# MAINE STATE LEGISLATURE

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# 130th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2021

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Legislative Document

No. 1062

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H.P. 791

House of Representatives, March 11, 2021

### **An Act To Phase Out the Insurance Premium Tax on Annuities**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT  
Clerk

Presented by Representative CLOUTIER of Lewiston.  
Cosponsored by Senator LIBBY of Androscoggin and  
Representatives: BICKFORD of Auburn, SACHS of Freeport, TERRY of Gorham, WHITE of  
Waterville, Senator: POULIOT of Kennebec.

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

2 **Sec. 1. 36 MRSA §2513, first ¶**, as amended by PL 2011, c. 331, §12 and affected  
3 by §§16 and 17, is further amended to read:

4 ~~Every~~ Except as provided in section 2513-C, every insurance company or association  
5 that does business or collects premiums or assessments including annuity considerations in  
6 the State, including surety companies and companies engaged in the business of credit  
7 insurance or title insurance, shall, for the privilege of doing business in this State and in  
8 addition to any other taxes imposed for that privilege, pay a tax upon all gross direct  
9 premiums including annuity considerations, whether in cash or otherwise, on contracts  
10 written on risks located or resident in the State for insurance of life, annuity, fire, casualty  
11 and other risks at the rate of 2% a year. Every nonadmitted insurer that does business or  
12 collects premiums in the State shall, for the privilege of doing business in this State and in  
13 addition to any other taxes imposed for that privilege, pay a tax upon all gross direct  
14 premiums, whether in cash or otherwise, as provided in section 2531. For purposes of this  
15 ~~section~~ chapter, the term "annuity considerations" includes amounts paid to an insurance  
16 company for the purchase of a contract that may result in an annuity, even if the  
17 annuitization never occurs or does not occur until some time in the future and the amounts  
18 are in the meantime applied to an investment vehicle other than an annuity. This section  
19 does not apply to mutual fire insurance companies subject to tax under section 2517 or to  
20 captive insurance companies formed or licensed under Title 24-A, chapter 83 or under the  
21 laws of another state.

22 **Sec. 2. 36 MRSA §2513-C** is enacted to read:

23 **§2513-C. Tax on annuity considerations**

24 **1. Phase-out of tax.** Notwithstanding the other provisions of this chapter, the rate of  
25 tax under this chapter for annuity considerations is 1.8% in calendar year 2022, 1.6% in  
26 calendar year 2023, 1.4% in calendar year 2024, 1.2% in calendar year 2025, 1% in  
27 calendar year 2026, 0.8% in calendar year 2027, 0.6% in calendar year 2028, 0.4% in  
28 calendar year 2029 and 0.2% in calendar year 2030. Beginning in calendar year 2031,  
29 annuity considerations are not subject to tax under this chapter, but taxes due for previous  
30 years may be collected.

31 **2. Application of reduced rate on annuities.** The reduced rates specified in  
32 subsection 1 for calendar years 2022 to 2030 apply to premiums on an annuity paid by  
33 annuity holders in this State only if the tax savings from the reduced rate are credited to the  
34 annuity holders. Upon request of the bureau, an insurer shall submit evidence that  
35 establishes that the tax savings derived from the reduced rate under this section have been  
36 credited to the annuity holders.

37 **3. Foreign insurance companies.** Section 2519 does not apply to annuity  
38 considerations subject to tax under this section.

39 **Sec. 3. 36 MRSA §2515**, as amended by PL 2013, c. 331, Pt. C, §11, is further  
40 amended to read:

41 **§2515. Amount of tax**

42 In determining the amount of tax due under sections 2513 and 2531, each company  
43 shall deduct from the full amount of gross direct premiums the amount of all direct return

1 premiums on the gross direct premiums and all dividends paid to policyholders on direct  
2 premiums, and the tax must be computed by those companies or their agents. Except when  
3 direct return premiums are returned in the same tax year that the premium was paid, the  
4 deduction allowed in this section may be taken only if the tax under this Part has been paid.  
5 For tax periods beginning on or after January 1, 2022, the deductions under this section  
6 related to annuity considerations may be deducted only from annuity considerations.

7 **SUMMARY**

8 This bill phases out the insurance premium tax on annuity considerations over 10 years  
9 beginning in 2022 and provides that during the phase-out period the retaliatory tax on non-  
10 Maine insurance companies does not apply. The bill also specifies that certain deductions  
11 related to annuities may be deducted from annuity considerations for tax periods beginning  
12 on or after January 1, 2022.