

HOUSE BILL REPORT

HB 1833

*As Reported By House Committee on:
Revenue*

Title: An act relating to eliminating insurance premium tax credits.

Brief Description: Eliminating insurance premium tax credits.

Sponsor(s): Representatives Wang and H. Sommers.

Brief History:

Reported by House Committee on:
Revenue, February 28, 1991, DPS.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *That Substitute House Bill No. 1833 be substituted therefor, and the substitute bill do pass.*
Signed by 8 members: Representatives Wang, Chair; Fraser, Vice Chair; Appelwick; Belcher; Leonard; Morris; Phillips; and Rust.

Minority Report: *Do not pass.* Signed by 7 members: Representatives Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Brumsickle; Day; Morton; Silver; and Van Luven.

Staff: Robin Appleford (786-7093).

Background: The insurance premiums tax is imposed on most insurance activities at a rate of 2 percent. The base for the insurance premiums tax is gross premiums, less deductions for premiums returned to policyholders. Ocean marine and foreign trade insurers pay tax at a rate of 0.95 percent on premiums received after deductions for net losses.

The State requires property, casualty, life, and disability insurers to make contributions to the insurance guaranty fund to cover claims made against insolvent insurers. Companies are allowed to credit contributions against their insurance premiums tax liability. Twenty percent of a company's required contribution is allowed each year for five years as a credit against tax liability.

Summary of Substitute Bill: The insurance premiums tax credit for required contributions to the insurance guaranty fund is repealed for companies contributing to the fund after the effective date of the bill.

Substitute Bill Compared to Original Bill: The repeal is changed such that only those companies contributing to the fund after the effective date of the bill lose the tax credit.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: None.

Testimony Against: The tax credit should not be eliminated since the current guaranty fund system works well and benefits policyholders. Policyholders will pay higher premiums if the credit is eliminated.

Witnesses: Basil Badley, American Insurance Association and American Council of Life Insurance.