

SENATE BILL REPORT

SB 5210

AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,  
FEBRUARY 5, 1991

**Brief Description:** Adjusting the measure of tax on insurance agents, brokers, and solicitors.

**SPONSORS:** Senators von Reichbauer, Bauer, Matson, Moore, West, Owen, Saling, Newhouse, L. Smith, Hansen, Sellar, Gaspard, Johnson, Vognild, Thorsness, Oke, McCaslin, Metcalf, Nelson, Stratton, Jesernig, Bailey, Craswell, Madsen, Sutherland, Conner and Pelz.

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** That Substitute Senate Bill No. 5210 be substituted therefor, and the substitute bill do pass.

Signed by Senators von Reichbauer, Chairman; Johnson, Vice Chairman; Matson, McCaslin, Moore, Owen, Pelz, Rasmussen, Sellar, Vognild, and West.

**Staff:** Mark Hutson (786-7488)

**Hearing Dates:** January 29, 1991; February 5, 1991

**BACKGROUND:**

A business and occupation tax is imposed on insurance agents, brokers, and solicitors equal to 1 percent of their gross commissions. No deduction is allowed for commissions paid to other agents, brokers, or solicitors on the same transaction.

In the insurance industry, commissions are sometimes paid to a general agent who retains a portion of the commission and passes the remainder through to the selling agent, although sometimes the policy of the insurance company is to pay each agent directly. Since no deduction is allowed in determining gross commissions, an agent would pay a tax on the gross commission received even though that agent may have retained only a small percentage of the total commission. The agent receiving a share of a commission from another agent also pays business and occupation tax on the amounts received.

**SUMMARY:**

The measure of tax is the gross commission retained by the insurance agent, broker, or solicitor after payment of any commission to another agent, broker, or solicitor pursuant to a contract or agreement in existence before the commission was earned.

**EFFECT OF PROPOSED SUBSTITUTE:**

There must be a written contract or agreement under which an agent or broker pays another agent or broker.

The reduction will only be allowed when the person receiving the pass through commission is subject to the tax.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested

**TESTIMONY FOR:**

It was stated that the method is inequitable due to its nature of double taxation.

**TESTIMONY AGAINST:** None

**TESTIFIED:** PRO: Representative Marshall Paris; Frank Keller, Matt Ryan, WA Savings and Loan Underwriters; Clark Sitzes, Pete McDongal, Independent Insurance Agents of WA; Jay Grant, Cliff Webster, WA Assn. of Health Underwriters; Dick Marquardt, Insurance Commissioner; Steve Wehrly, Insurance Brokers