

SENATE BILL REPORT

SHB 2040

As Reported By Senate Committee On:
Financial Services, Insurance & Housing, April 4, 2003

Title: An act relating to liability for taxes on unlawful or delinquent insurers or taxpayers.

Brief Description: Establishing liability for taxes on unlawful or delinquent insurers or taxpayers.

Sponsors: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Santos and Benson; by request of Insurance Commissioner).

Brief History:

Committee Activity: Financial Services, Insurance & Housing: 4/3/03, 4/4/03 [DP].

SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

Majority Report: Do pass.

Signed by Senators Benton, Chair; Keiser, Prentice, Roach and Zarelli.

Staff: Alison Mendiola-Hamilton (786-7576)

Background: Current law imposes a maximum delinquency penalty of 20 percent on insurers for premium taxes that are past due. For taxes that are delinquent more than 60 days, no additional penalty or interest charge is imposed.

Unauthorized insurers that transact the business of or issue health coverage in Washington, although subject to administrative cease and desist orders, are not subject to premium tax.

Summary of Bill: Interest is added to the existing penalty on delinquent premium tax payment against insurers or health maintenance organizations (HMOs) for payments that are delinquent more than 60 days. Interest accrues at the judgment interest rate (currently 12 percent).

Insurers, HMOs, health care service contracts (HCSCs), or agents that transact business in Washington without a certificate of authority, registration, or license, are subject to premium tax. This does not change current law relating to authorized, registered, or licensed insurers, HMOs, HCSCs, or agents.

The tax is computed by the portion of the premium received that is allocated to participants located in Washington.

All premiums written, procured, or received in Washington or that are for a policy or contract negotiated in Washington are subject to tax unless a premium is properly allocated or apportioned and reported as a taxable premium of another state.

The tax does not apply to premium on risks that are: 1) properly allocated to federal or international waters; 2) that are under the jurisdiction of a foreign government; or 3) are properly issued as it relates to surplus lines.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill is at the request of the Office of Insurance Commissioner (OIC) and adds enforcement tools to OIC. This bill adds penalties to delinquent insurance premium payments and allows OIC to collect from those unlawfully transacting business in Washington.

Testimony Against: None.

Testified: Representative Santos, prime sponsor (pro); Bill Daley, OIC (pro).