

FILED APR 12 1988

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SENATE FILE

2338

BY COMMITTEE ON WAYS AND MEANS

(formerly, SSB 2275 A)

Passed Senate, Date 4/14/88 (p. 1541)

Passed House, Date 4/14/88 (p. 1926)

Vote: Ayes 48 Nays 0

Vote: Ayes 92 Nays 0

Approved May 5, 1988

A BILL FOR

1 An Act relating to the deduction of premiums received in
 2 connection with annuity contracts in computing the gross
 3 amount of premiums for purpose of the state gross premiums
 4 tax, requiring related reports by the commissioner of
 5 insurance, and providing applicable and effective dates.
 6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SENATE FILE 2338

S-5994

1 Amend Senate File 2338 as follows:
 2 1. Page 1, by inserting after line 29, the
 3 following:
 4 "4. On an annual basis, prepare a report
 5 identifying the premium volume of nonqualified
 6 insurance annuities issued by domestic insurance
 7 companies doing at least a volume of five million
 8 dollars per annum, and relating that to projections
 9 for increased volume of such sales."
 10 2. Page 1, by inserting after line 35: the
 11 following:
 12 "Domestic insurance companies shall cooperate
 13 with the commissioner in providing information to
 14 develop the reports under this section."

SF 2338

S-5994

Filed April 14, 1988

ADOPTED

p. 1541

BY CHARLES BRUNER

24

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TLSB 8501SV 72

mg/cf/24

1 Section 1. Section 432.1, subsection 1, Code 1987, is
2 amended by adding the following new unnumbered paragraph:

3 NEW UNNUMBERED PARAGRAPH. In determining the gross amount
4 of premiums to be taxed, there shall be excluded all
5 consideration received in connection with an annuity contract,
6 whether or not such contract is qualified or exempt under the
7 federal Internal Revenue Code as now or hereafter amended, and
8 all premiums returned to policyholders or annuitants during
9 the preceding calendar year, except cash surrender values, and
10 all dividends that, during said year, have been paid in cash
11 or applied in reduction of premiums or left to accumulate to
12 the credit of policyholders or annuitants.

13 Sec. 2. Section 505.8, Code 1987, is amended by adding the
14 following new unnumbered paragraph:

15 NEW UNNUMBERED PARAGRAPH. The commissioner shall do the
16 following:

17 1. By July 1, 1988, prepare a report on the level of Iowa
18 investments of Iowa domestic and nondomestic insurance
19 companies.

20 2. By September 1, 1988, prepare a plan of action
21 outlining the alternatives and incentives for increasing in-
22 state investments of domestic and nondomestic insurance
23 companies.

24 3. By July 1, 1989, prepare a report on the number of new
25 jobs added, new companies that have moved to or established
26 subsidiaries in the state, and the approximate amount of tax
27 revenues resulting from the expanded deduction of premiums for
28 all annuity contracts in computing the premiums tax under
29 section 432.1, subsection 1.

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30 4. The reports prepared under subsections 1, 2, and 3
31 shall, upon completion, be forwarded to the members of the
32 house standing committee on small business and commerce and
33 the house standing committee on ways and means and to members
34 of the senate standing committee on commerce and the senate
35 standing committee on ways and means.

FILED APR 14 1988

STATE OF IOWA

FISCAL NOTE

SENATE FILE 2338

LSB No. 8501s

Staff ID. PDD

In compliance with a written request received April 13, 1988, a fiscal note for SENATE FILE 2338 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2338 repeals the 2% tax on insurance premiums paid for annuities not qualified for a tax preference at the federal level. The 2% tax will no longer be collected on these premiums beginning July 1, 1988.

The bill also requires the insurance commissioner to prepare reports relating to investments by insurance companies in the state, to alternatives and incentives for increasing investments in the state, and to the increase in jobs, tax revenues, and insurance companies resulting from this bill.

FISCAL EFFECT

The annual reduction on insurance premium tax collections is estimated to be \$1.7 million.

Source: Department of Commerce, Insurance Division

(LSB 8501s, PDD)

Dennis A. Prouty

Fiscal Director

Legislative Fiscal Bureau

Date: 4/14/88

SENATE FILE 2338
BY COMMITTEE ON WAYS AND MEANS

Substituted for H.F. 2472
(AS AMENDED AND PASSED BY THE SENATE APRIL 14, 1988)

_____ - New Language by the Senate

Passed Senate, Date 4/14/88 (p. 154) Passed House, Date 4/14/88 (p. 192)
Vote: Ayes 48 Nays 0 Vote: Ayes 92 Nays 0
Approved May 5, 1988

A BILL FOR

1 An Act relating to the deduction of premiums received in
2 connection with annuity contracts in computing the gross
3 amount of premiums for purpose of the state gross premiums
4 tax, requiring related reports by the commissioner of
5 insurance, and providing applicable and effective dates.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 432.1, subsection 1, Code 1987, is
2 amended by adding the following new unnumbered paragraph:

3 NEW UNNUMBERED PARAGRAPH. In determining the gross amount
4 of premiums to be taxed, there shall be excluded all
5 consideration received in connection with an annuity contract,
6 whether or not such contract is qualified or exempt under the
7 federal Internal Revenue Code as now or hereafter amended, and
8 all premiums returned to policyholders or annuitants during
9 the preceding calendar year, except cash surrender values, and
10 all dividends that, during said year, have been paid in cash
11 or applied in reduction of premiums or left to accumulate to
12 the credit of policyholders or annuitants.

13 Sec. 2. Section 505.8, Code 1987, is amended by adding the
14 following new unnumbered paragraph:

15 NEW UNNUMBERED PARAGRAPH. The commissioner shall do the
16 following:

17 1. By July 1, 1988, prepare a report on the level of Iowa
18 investments of Iowa domestic and nondomestic insurance
19 companies.

20 2. By September 1, 1988, prepare a plan of action
21 outlining the alternatives and incentives for increasing in-
22 state investments of domestic and nondomestic insurance
23 companies.

24 3. By July 1, 1989, prepare a report on the number of new
25 jobs added, new companies that have moved to or established
26 subsidiaries in the state, and the approximate amount of tax
27 revenues resulting from the expanded deduction of premiums for
28 all annuity contracts in computing the premiums tax under
29 section 432.1, subsection 1.

30 4. On an annual basis, prepare a report identifying the
31 premium volume of nonqualified insurance annuities issued by
32 domestic insurance companies doing at least a volume of five
33 million dollars per annum, and relating that to projections
34 for increased volume of such sales.

35 5. The reports prepared under subsections 1, 2, and 3

1 shall, upon completion, be forwarded to the members of the
2 house standing committee on small business and commerce and
3 the house standing committee on ways and means and to members
4 of the senate standing committee on commerce and the senate
5 standing committee on ways and means.

6 Domestic insurance companies shall cooperate with the
7 commissioner in providing information to develop the reports
8 under this section.

9 Sec. 3. Section 1 of this Act is effective July 1, 1988,
10 and applies to premiums for annuity contracts received on or
11 after that date for purposes of determining the tax imposed on
12 the gross amount of premiums received during the 1988 and
13 subsequent calendar years.

14 Sec. 4. Section 2 of this Act is effective upon enactment.

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SENATE FILE 2338

AN ACT

RELATING TO THE DEDUCTION OF PREMIUMS RECEIVED IN CONNECTION WITH ANNUITY CONTRACTS IN COMPUTING THE GROSS AMOUNT OF PREMIUMS FOR PURPOSE OF THE STATE GROSS PREMIUMS TAX, REQUIRING RELATED REPORTS BY THE COMMISSIONER OF INSURANCE, AND PROVIDING APPLICABLE AND EFFECTIVE DATES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 432.1, subsection 1, Code 1987, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. In determining the gross amount of premiums to be taxed, there shall be excluded all consideration received in connection with an annuity contract, whether or not such contract is qualified or exempt under the federal Internal Revenue Code as now or hereafter amended, and all premiums returned to policyholders or annuitants during the preceding calendar year, except cash surrender values, and

all dividends that, during said year, have been paid in cash or applied in reduction of premiums or left to accumulate to the credit of policyholders or annuitants.

Sec. 2. Section 505.8, Code 1987, is amended by adding the following new unnumbered paragraph:

NEW UNNUMBERED PARAGRAPH. The commissioner shall do the following:

1. By July 1, 1988, prepare a report on the level of Iowa investments of Iowa domestic and nondomestic insurance companies.

2. By September 1, 1988, prepare a plan of action outlining the alternatives and incentives for increasing in-state investments of domestic and nondomestic insurance companies.

3. By July 1, 1989, prepare a report on the number of new jobs added, new companies that have moved to or established subsidiaries in the state, and the approximate amount of tax revenues resulting from the expanded deduction of premiums for all annuity contracts in computing the premiums tax under section 432.1, subsection 1.

4. On an annual basis, prepare a report identifying the premium volume of nonqualified insurance annuities issued by domestic insurance companies doing at least a volume of five million dollars per annum, and relating that to projections for increased volume of such sales.

5. The reports prepared under subsections 1, 2, and 3 shall, upon completion, be forwarded to the members of the house standing committee on small business and commerce and the house standing committee on ways and means and to members of the senate standing committee on commerce and the senate standing committee on ways and means.

Domestic insurance companies shall cooperate with the commissioner in providing information to develop the reports under this section.

Sec. 3. Section 1 of this Act is effective July 1, 1988, and applies to premiums for annuity contracts received on or after that date for purposes of determining the tax imposed on

the gross amount of premiums received during the 1988 and subsequent calendar years.

Sec. 4. Section 2 of this Act is effective upon enactment.

JO ANN ZIMMERMAN
President of the Senate

DONALD D. AVENSON
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 2338, Seventy-second General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved May 5, 1988

TERRY E. BRANSTAD
Governor