

Reprinted 5/20/81

MAY 4 1981

HOUSE FILE 852

WAYS & MEANS CALENDAR

BY COMMITTEE ON WAYS
AND MEANS

(Formerly Study Bill 328)

Passed House, Date 5-19-81 (p. 2031) Passed Senate, Date 5-22-81 (P 1804)

Vote: Ayes 72 Nays 24 Vote: Ayes 30 Nays 15

Approved June 13, 1981

A BILL FOR

1 An Act requiring insurance companies to pay premium taxes on
2 a prepayment basis.

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

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1 Section 1. Section 432.1, Code 1981, is amended to read
2 as follows:

40213 432.1 TAX ON GROSS PREMIUMS. Every insurance company
4 or association of whatever kind or character, not including
5 fraternal beneficiary associations, and nonprofit hospital
6 and medical service corporations, shall, ~~at-the-time-of-making~~
7 ~~the-annual-statement~~ as required by law, pay to the director
8 of the department of revenue, or to a depository designated
9 by the director, as taxes, an amount equal to the following,
10 except that the premium tax applicable to county mutual
11 associations shall be governed by section 518.18:

12 1. Two percent of the gross amount of premiums received
13 during the preceding calendar year by every life insurance
14 company or association, not including fraternal beneficiary
15 associations, or the gross payments or deposits collected
16 from holders of fraternal beneficiary association certificates,
17 on contracts of insurance covering risks resident in this
18 state during the preceding year, including contracts for group
19 insurance and annuities and without including or deducting
20 any amounts received or paid for reinsurance.

21 In determining the gross amount of premiums to be taxed
22 hereunder, there shall be excluded all premiums received from
23 policies or contracts issued in connection with a pension,
24 annuity, profit sharing plan or individual retirement annuity
25 qualified or exempt under sections 401, 403, 404, 408 or
26 501(a) of the federal Internal Revenue Code as now or hereafter
27 amended and all premiums returned to policyholders or
28 annuitants during the preceding calendar year, except cash
29 surrender values, all dividends that, during said year, have
30 been paid in cash or applied in reduction of premiums or left
31 to accumulate to the credit of policyholders or annuitants.

402932 2. Two percent of gross amount of premiums, assessments,
33 and fees received during the preceding calendar year by every
34 company or association other than life on contracts of
35 insurance other than life for business done in this state,

1 including all insurance upon property situated in this state,
2 after deducting the amounts returned upon canceled policies,
3 certificates and rejected applications but not including the
4 gross premiums, assessments and fees in connection with ocean
5 marine insurance authorized in section 515.48.

6 3. Insurance companies and associations transacting
7 business in this state whose Iowa premium tax for the previous
8 calendar year was one thousand dollars or more shall, on a
9 prepayment basis, remit one-half of the premium tax paid on
10 the previous calendar year's premiums on or before June 1.

11 All sums prepaid by a company or association shall be
12 allowed as credits against its annual tax return for premium
13 taxes payable on or before March 1; and if prepaid sums exceed
14 its annual premium tax payable, the excess shall be allowed
15 as credit against subsequent prepayments of the tax. The
16 commissioner may suspend or revoke the license of any company
17 or association that fails to pay the tax imposed in this
18 section in the time required.

19 Sec. 2. Section 432.3, Code 1981, is amended to read as
20 follows:

21 432.3 RECEIPTS--CERTIFICATE OF AUTHORITY. At the time
22 of paying filing the annual tax return and the final payment
23 of said taxes, said companies and associations shall take
24 duplicate receipts therefor, one of which shall be filed with
25 the commissioner of insurance, and upon filing of said receipt,
26 and not ~~until~~ until then, the commissioner of insurance shall
27 issue the annual certificate as provided by law.

28 Sec. 3. This Act takes effect January 1 following its
29 enactment.

30 EXPLANATION

31 Existing law requires insurance companies pay the premium
32 tax imposed on them for a given year after the close of
33 business of that year. This bill creates a procedure to
34 prepay the taxes during the year for which it is imposed.
35 The amount to be prepaid is one-half of the premium tax paid

1 on the previous year's premiums. This amount is to be paid
2 on or before June 1.

3 The bill would take effect January 1 following enactment.

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FISCAL NOTE
House File 852
Requested by Representative Schnekloth
May 7, 1981

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11 In compliance with a written request there is hereby submitted a
12 Fiscal Note for House File 852 pursuant to Joint Rule 16.

13

14 H.F. 852 requires insurance companies and associations doing business in Iowa whose
15 premium tax liability for the previous calendar year was \$100,000 or more to remit
16 on prepayment basis one-half of the previous calendar year's tax liability on or
17 before June 1. Currently, the tax is paid annually after the close of the calendar
18 year.

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20 H.F. 852 is expected to result in a one-time windfall of approximately \$26 million
21 to the state general fund in fiscal year 1982.

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23 FILED MAY 7, 1981

BY GERRY D. RANKIN
Legislative Fiscal Bureau

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H-4028

1 Amend House File 852 as follows:

2 1. Page 2, by striking lines 6 through 18 and
3 inserting in lieu thereof the following:

4 "3. Except as provided in subsection 4, the premium
5 tax shall be paid on or before March 1 of the year
6 following the calendar year for which the tax is due.
7 The commissioner may suspend or revoke the license
8 of a company or association that fails to pay its
9 premium tax on or before the due date.

10 4. Insurance companies and associations transacting
11 business in this state whose Iowa premium tax for
12 calendar year 1981 is one thousand dollars or more
13 shall remit on or before June 1, 1982 on a prepayment
14 basis, an amount equal to one-half of the premium
15 tax paid on calendar year 1981 premiums; and insurance
16 companies and associations transacting business in
17 this state whose Iowa premium tax for the calendar
18 year 1982 is one thousand dollars or more shall remit
19 on or before June 1, 1983 on a prepayment basis, an
20 amount equal to one-half of the premium tax paid on
21 calendar year 1982 premiums. The sums prepaid by
22 a company or association under this subsection shall
23 be allowed as credits against its premium tax liability
24 for the calendar years 1982 and 1983, respectively,
25 and if a prepayment exceeds the annual premium tax
26 liability, the excess shall be allowed as a credit
27 against subsequent prepayment or tax liabilities.
28 The commissioner may suspend or revoke the license
29 of a company or association that fails to make a tax
30 prepayment on or before the due date."

H-4028 FILED

MAY 6, 1981

Adopted 5/19/81 (p. 2031)

BY CARPENTER of Polk

DIEMER of Black Hawk

CHIODO of Polk

DIELEMAN of Marion

HOUSE FILE 852

H-4043

1 Amend House File 852 as follows:

2 1. Page 2, by inserting after line 10, the
3 following: "However, on June 1, 1982 the insurance
4 companies and associations affected by this subsection
5 shall remit an amount equal to one-third of the premium
6 tax paid on the previous calendar year's premiums."

H-4043 FILED MAY 7, 1981

BY CHIODO of Polk

Placed out of order 5/19/81 (p. 2031)

H-4029

- 1 Amend House File 852 as follows:
- 2 1. Page 1, lines 5 and 6, by striking the words
- 3 "and nonprofit hospital and medical service
- 4 corporations," and inserting in lieu thereof the words
- 5 "~~and-nonprofit-hospital-and-medical-service~~
- 6 ~~corporations,~~".
- 7 2. Page 1, line 32, by striking the word "Two"
- 8 and inserting in lieu thereof the words "Two Except
- 9 as provided in subsection 3, two".
- 10 3. Page 2, by inserting after line 5 the following:
- 11 "3. One percent of gross premiums, assessments
- 12 and fees received during the preceding calendar year
- 13 by every company or association on contracts of
- 14 accident and health insurance, including but not
- 15 limited to subscriber contracts issued by nonprofit
- 16 hospital and medical service corporations, for business
- 17 done in this state, after deducting the amounts
- 18 returned upon canceled policies, certificates and
- 19 rejected applications."
- 20 4. By renumbering subsections.

H-4029 FILED MAY 6, 1981 BY TYRRELL of Iowa

Added not given
5/7/81 (p. 2530) FISCAL NOTE

Amendment H-4029 to House File 852

Requested by Representative Tyrrell
May 7, 1981

In compliance with a written request there is hereby submitted a Fiscal Note for Amendment H-4029 to H. F. 852 pursuant to Joint Rule 16,

Amendment H-4029 to House File 852

Source: Iowa Insurance Department

Currently, all companies selling accident and health insurance are paying a 2% premium tax. The subscriber contract (Chapter 514) companies are not paying premium tax.

Amendment H-4029 decreases from 2% to 1% the amount of premium tax paid on the accident and health insurance and requires the subscriber contract companies to also pay the 1% premium tax.

Fiscal Impact Based on 1979 Premiums:

Loss of Revenue by Imposing 1% Premium
Tax on Accident and Health Insurance \$ 3,723,000

Increased Revenue by Imposing 1% Premium
Tax on Chapter 514 Companies 3,375,000

NET LOSS IN REVENUE \$ 348,000

FILED MAY 7, 1981

BY GERRY D. RANKIN, Legislative Fiscal Bureau

HOUSE FILE 852

H-4037

- 1 Amend House File 852 as follows:
- 2 1. Page 2, line 9, by inserting after the word
- 3 "remit" the words "an amount equal to".

H-4037 FILED MAY 7, 1981

BY NORLAND of Worth

Classed out of order 5/19/81 (p. 2021)

HOUSE FILE 852

H-4051

1 Amend House File 852 as follows:

2 1. Page 2, by inserting after line 5 the follow-

3 ing:

4 "3. Except as provided in subsection 4, the premi-
5 um tax shall be paid on or before March 1 of the year
6 following the calendar year for which the tax is due.
7 The commissioner may suspend or revoke the license
8 of a company or association that fails to pay its
9 premium tax on or before the due date."

10 2. Page 2, line 6, by striking the number "3" and
11 inserting in lieu thereof the following: "4".

H-4051 FILED

MAY 7, 1981

4/15 5/19/81 (A 2031)

BY HANSON of Delaware

SCHNEKLOTH of Scott

HOUSE FILE 852

H-4261

1 Amend amendment H-4029 to page 1 of House File 852 as
2 follows:

3 1. by striking line 7 through 20.

H-4261 FILED

MAY 19, 1981

Look 5/19/81 (A 2030)

BY SCHROEDER of Pottawattamie

PELTON of Clinton

TYRRELL of Iowa

JOHNSON of Linn

Sen # *5/20/81*
House File 852
Do Pass 5/21/81
(p. 1815)
Ways and Means
Craft, Chairperson
Hultman
Holden
Jenkins
Rush

HOUSE FILE 852

BY COMMITTEE ON WAYS
AND MEANS

(As Amended and Passed by the House)

Passed House, Date 5-19-81 (p. 2031) Passed Senate, Date 5-22-81 (p. 1824)
Vote: Ayes 72 Nays 24 Vote: Ayes 30 Nays 15
Approved June 13, 1981

A BILL FOR

1 An Act requiring insurance companies to pay premium taxes on
2 a prepayment basis.

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

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House Amendments _____

1 Section 1. Section 432.1, Code 1981, is amended to read
2 as follows:

3 432.1 TAX ON GROSS PREMIUMS. Every insurance company
4 or association of whatever kind or character, not including
5 fraternal beneficiary associations, and nonprofit hospital
6 and medical service corporations, shall, ~~at-the-time-of-making~~
7 ~~the-annual-statement~~ as required by law, pay to the director
8 of the department of revenue, or to a depository designated
9 by the director, as taxes, an amount equal to the following,
10 except that the premium tax applicable to county mutual
11 associations shall be governed by section 518.18:

12 1. Two percent of the gross amount of premiums received
13 during the preceding calendar year by every life insurance
14 company or association, not including fraternal beneficiary
15 associations, or the gross payments or deposits collected
16 from holders of fraternal beneficiary association certificates,
17 on contracts of insurance covering risks resident in this
18 state during the preceding year, including contracts for group
19 insurance and annuities and without including or deducting
20 any amounts received or paid for reinsurance.

21 In determining the gross amount of premiums to be taxed
22 hereunder, there shall be excluded all premiums received from
23 policies or contracts issued in connection with a pension,
24 annuity, profit sharing plan or individual retirement annuity
25 qualified or exempt under sections 401, 403, 404, 408 or
26 501(a) of the federal Internal Revenue Code as now or hereafter
27 amended and all premiums returned to policyholders or
28 annuitants during the preceding calendar year, except cash
29 surrender values, all dividends that, during said year, have
30 been paid in cash or applied in reduction of premiums or left
31 to accumulate to the credit of policyholders or annuitants.

32 2. Two percent of gross amount of premiums, assessments,
33 and fees received during the preceding calendar year by every
34 company or association other than life on contracts of
35 insurance other than life for business done in this state,

1 including all insurance upon property situated in this state,
2 after deducting the amounts returned upon canceled policies,
3 certificates and rejected applications but not including the
4 gross premiums, assessments and fees in connection with ocean
5 marine insurance authorized in section 515.48.

6 3. Except as provided in subsection 4, the premium tax
7 shall be paid on or before March 1 of the year following the
8 calendar year for which the tax is due. The commissioner
9 may suspend or revoke the license of a company or associ-
10 ation that fails to pay its premium tax on or before the due
11 date.

12 4. Insurance companies and associations transacting busi-
13 ness in this state whose Iowa premium tax for calendar year
14 1981 is one thousand dollars or more shall remit on or before
15 June 1, 1982 on a prepayment basis, an amount equal to one-
16 half of the premium tax paid on calendar year 1981 premiums;
17 and insurance companies and associations transacting busi-
18 ness in this state whose Iowa premium tax for the calendar
19 year 1982 is one thousand dollars or more shall remit on or
20 before June 1, 1983 on a prepayment basis, an amount equal
21 to one-half of the premium tax paid on calendar year 1982
22 premiums. The sums prepaid by a company or association under
23 this subsection shall be allowed as credits against its premium
24 tax liability for the calendar years 1982 and 1983, respec-
25 tively, and if a prepayment exceeds the annual premium tax
26 liability, the excess shall be allowed as a credit against
27 subsequent prepayment or tax liabilities. The commissioner
28 may suspend or revoke the license of a company or association
29 that fails to make a tax prepayment on or before the due date.

30 Sec. 2. Section 432.3, Code 1981, is amended to read as
31 follows:

32 432.3 RECEIPTS--CERTIFICATE OF AUTHORITY. At the time
33 of paying filing the annual tax return and the final payment
34 of said taxes, said companies and associations shall take
35 duplicate receipts therefor, one of which shall be filed with

1 the commissioner of insurance, and upon filing of said receipt,
2 and not ~~until~~ until then, the commissioner of insurance shall
3 issue the annual certificate as provided by law.

4 Sec. 3. This Act takes effect January 1 following its
5 enactment.

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HOUSE FILE 852

AN ACT

REQUIRING INSURANCE COMPANIES TO PAY PREMIUM TAXES ON A PRE-PAYMENT BASIS.

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

Section 1. Section 432.1, Code 1981, is amended to read as follows:

432.1 TAX ON GROSS PREMIUMS. Every insurance company or association of whatever kind or character, not including fraternal beneficiary associations, and nonprofit hospital and medical service corporations, shall, ~~at-the-time-of-making the-annual-statement~~ as required by law, pay to the director of the department of revenue, or to a depository designated by the director, as taxes, an amount equal to the following, except that the premium tax applicable to county mutual associations shall be governed by section 518.18:

1. Two percent of the gross amount of premiums received during the preceding calendar year by every life insurance company or association, not including fraternal beneficiary associations, or the gross payments or deposits collected from holders of fraternal beneficiary association certificates, on contracts of insurance covering risks resident in this state during the preceding year, including contracts for group insurance and annuities and without including or deducting any amounts received or paid for reinsurance.

In determining the gross amount of premiums to be taxed hereunder, there shall be excluded all premiums received from policies or contracts issued in connection with a pension, annuity, profit sharing plan or individual retirement annuity qualified or exempt under sections 401, 403, 404, 408 or 501(a) of 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, 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.

2. Two percent of gross amount of premiums, assessments, and fees received during the preceding calendar year by every company or association other than life on contracts of insurance other than life for business done in this state, including all insurance upon property situated in this state, after deducting the amounts returned upon canceled policies, certificates and rejected applications but not including the gross premiums, assessments and fees in connection with ocean marine insurance authorized in section 515.48.

3. Except as provided in subsection 4, the premium tax shall be paid on or before March 1 of the year following the calendar year for which the tax is due. The commissioner may suspend or revoke the license of a company or association that fails to pay its premium tax on or before the due date.

4. Insurance companies and associations transacting business in this state whose Iowa premium tax for calendar year 1981 is one thousand dollars or more shall remit on or before June 1, 1982 on a prepayment basis, an amount equal to one-half of the premium tax paid on calendar year 1981 premiums; and insurance companies and associations transacting business in this state whose Iowa premium tax for the calendar year 1982 is one thousand dollars or more shall remit on or before June 1, 1983 on a prepayment basis, an amount equal to one-half of the premium tax paid on calendar year 1982 premiums. The sums prepaid by a company or association under this subsection shall be allowed as credits against its premium tax liability for the calendar years 1982 and 1983, respectively, and if a prepayment exceeds the annual premium tax liability, the excess shall be allowed as a credit against subsequent prepayment or tax liabilities. The commissioner may suspend or revoke the license of a company or association that fails to make a tax prepayment on or before the due date.

Sec. 2. Section 432.3, Code 1981, is amended to read as follows:

432.3 RECEIPTS--CERTIFICATE OF AUTHORITY. At the time of paying filing the annual tax return and the final payment of said taxes, said companies and associations shall take duplicate receipts therefor, one of which shall be filed with the commissioner of insurance, and upon filing of said receipt, and not ~~till~~ until then, the commissioner of insurance shall issue the annual certificate as provided by law.

Sec. 3. This Act takes effect January 1 following its enactment.

DELWYN STROMER
Speaker of the House

TERRY E. BRANSTAD
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 852, Sixty-ninth General Assembly.

PAT H. HARPER
Chief Clerk of the House

Approved June 13, 1981

ROBERT D. RAY
Governor