



# House of Representatives

General Assembly

**File No. 418**

February Session, 2000

House Bill No. 5241

*House of Representatives, April 4, 2000*

The Committee on Finance, Revenue and Bonding reported through REP. MCDONALD of the 148<sup>th</sup> Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***An Act Exempting The Teachers' Retirement System From The Tax On Net Subscriber Charges Of Health Care Centers.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-202a of the general statutes is repealed and the  
2 following is substituted in lieu thereof:

3 (a) Each health care center, as defined in section 38a-175, shall pay a  
4 tax to the Commissioner of Revenue Services for the calendar year  
5 commencing on January 1, 1995, and annually thereafter, at the rate of  
6 one and three-quarters per cent of the total net direct subscriber  
7 charges received on any new or renewal contract or policy by such  
8 health care center during each such calendar year, which shall be in  
9 addition to any other payment required under section 38a-48.

10 (b) Notwithstanding the provisions of subsection (a) of this section,  
11 the tax shall not apply to: (1) Any new or renewal contract or policy

12 entered into with the state on or after July 1, 1997, to provide health  
13 care coverage to state employees, retirees and their dependents; (2) any  
14 subscriber charges received from the federal government to provide  
15 coverage for Medicare patients; (3) any subscriber charges received  
16 under a contract or policy entered into with the state to provide health  
17 care coverage to Medicaid recipients under the Medicaid managed  
18 care program established pursuant to section 17b-28, as amended,  
19 which charges are attributable to a period on or after January 1, 1998;  
20 (4) any new or renewal contract or policy entered into with the state on  
21 or after April 1, 1998, to provide health care coverage to eligible  
22 beneficiaries under the HUSKY Medicaid Plan [,] Part A, HUSKY Part  
23 B, or the HUSKY Plus programs, each as defined in section 17b-290, as  
24 amended; [or] (5) any new or renewal contract or policy entered into  
25 with the state on or after April 1, 1998, to provide health care coverage  
26 to recipients of state-administered general assistance pursuant to  
27 section 17b-257; or (6) any new or renewal contract or policy entered  
28 into with the state on or after February 1, 2000, to provide health care  
29 coverage to retired teachers, spouses or surviving spouses covered by  
30 plans offered by the state teachers' retirement system.

31 (c) The provisions of this chapter pertaining to the filing of returns,  
32 declarations, instalment payments, assessments and collection of taxes,  
33 penalties, administrative hearings and appeals imposed on domestic  
34 insurance companies shall apply with respect to the charge imposed  
35 under this section.

36 Sec. 2. This act shall take effect from its passage.

**FIN Committee Vote:** Yea 39 Nay 0 JF

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Precludes a Potential Revenue Gain,  
Precludes a Potential Cost

**Affected Agencies:** Teachers' Retirement Board

**Municipal Impact:** None

**Explanation**

**State Impact:**

There is no current fiscal impact as a result of the bill since the Teachers' Retirement Board plan is self-insured at this time. If in the future the Board was to convert to a fully insured plan, meaning an insurer would incur the risk associated with the plan, then the bill would preclude: 1) a revenue gain, and 2) the cost of the tax being factored into premium.

**OLR Bill Analysis**

HB 5241

***AN ACT EXEMPTING THE TEACHERS' RETIREMENT SYSTEM FROM THE TAX ON NET SUBSCRIBER CHARGES OF HEALTH CARE CENTERS.*****SUMMARY:**

This bill exempts health care centers, such as HMOs, from paying the 1.75% tax on subscriber charges they receive under new or renewal contracts or policies with the state (1) entered into on or after February 1, 2000 and (2) covering retired teachers and their spouses or surviving spouses under health insurance plans offered by the state Teachers' Retirement System. The tax is levied on "net direct subscriber charges," which are total charges by health care centers to subscribers minus returned charges, including cancellations.

Charges the state pays for health coverage for state employees, retired state employees, and dependents; Medicaid recipients; and eligible HUSKY recipients are already tax-exempt, as are charges paid by the federal government for coverage of Medicare patients.

The bill also makes technical changes.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 39 Nay 0