



General Assembly

February Session, 2012

Raised Bill No. 96

LCO No. 879

00879_____INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT EXEMPTING MUNICIPALITIES FROM THE HEALTH INSURANCE PREMIUM TAX.

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

1 Section 1. Section 12-202 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2012*):

3 (a) (1) Each domestic insurance company shall, annually, pay a tax
4 on the total net direct premiums received by such company during the
5 calendar year next preceding from policies written on property or risks
6 located or resident in this state. The rate of tax on all net direct
7 insurance premiums received on and after January [1, 1995,] first shall
8 be one and three-quarters per cent.

9 (2) Notwithstanding the provisions of subdivision (1) of this
10 subsection, on and after July 1, 2012, the tax shall not apply to any net
11 direct health insurance premiums received by such company from a
12 municipality in this state.

13 (b) The franchise tax imposed under this section on premium
14 income for the privilege of doing business in the state is in addition to

15 the tax imposed under chapter 208.

16 (c) In the case of any local domestic insurance company the
17 admitted assets of which as of the end of an income year do not exceed
18 ninety-five million dollars, eighty per cent of the tax paid by such
19 company under chapter 208 during such income year reduced by any
20 refunds of taxes paid by such company and granted under said
21 chapter within such income year and eighty per cent of the assessment
22 paid by such company under section 38a-48 during such income year
23 shall be allowed as a credit in the determination of the tax under this
24 chapter payable with respect to total net direct premiums received
25 during such income year, provided that these two credits shall not
26 reduce the tax under this chapter to less than zero, and provided
27 further in the case of a local domestic insurance company which is a
28 member of an insurance holding company system, as defined in
29 section 38a-129, these credits shall apply if the total admitted assets of
30 the local domestic insurance company and its affiliates, as defined in
31 said section, do not exceed two hundred fifty million dollars or, in the
32 alternative, in the case of a local domestic insurance company which is
33 a member of an insurance holding company system, as defined in
34 section 38a-129, these credits shall apply only if total direct written
35 premiums are derived from policies issued or delivered in
36 Connecticut, on risk located in Connecticut and, as of the end of the
37 income year the company and its affiliates have admitted assets minus
38 unpaid losses and loss adjustment expenses that are also discounted
39 for federal and state tax purposes and which for said local domestic
40 insurance company and its affiliates, as defined in said section do not
41 exceed two hundred fifty million dollars.

42 Sec. 2. Section 12-202a of the 2012 supplement to the general statutes
43 is repealed and the following is substituted in lieu thereof (*Effective July*
44 *1, 2012*):

45 (a) Each health care center, as defined in section 38a-175, that is
46 governed by sections 38a-175 to 38a-192, inclusive, shall, annually, pay

47 a tax to the Commissioner of Revenue Services for the calendar year
48 [commencing on January 1, 1995, and annually thereafter,] next
49 preceding at the rate of one and three-quarters per cent of the total net
50 direct subscriber charges received by such health care center during
51 each such calendar year on any new or renewal contract or policy
52 approved by the Insurance Commissioner under section 38a-183. Such
53 payment shall be in addition to any other payment required under
54 section 38a-48.

55 (b) Notwithstanding the provisions of subsection (a) of this section,
56 the tax shall not apply to:

57 (1) Any new or renewal contract or policy entered into with the state
58 on or after July 1, 1997, to provide health care coverage to state
59 employees, retirees and their dependents;

60 (2) Any subscriber charges received from the federal government to
61 provide coverage for Medicare patients;

62 (3) Any subscriber charges received under a contract or policy
63 entered into with the state to provide health care coverage to Medicaid
64 recipients which charges are attributable to a period on or after
65 January 1, 1998;

66 (4) Any new or renewal contract or policy entered into with the state
67 on or after April 1, 1998, to provide health care coverage to eligible
68 beneficiaries under the HUSKY Plan, Part A, HUSKY Plan, Part B, or
69 HUSKY Plus programs, each as defined in section 17b-290;

70 (5) Any new or renewal contract or policy entered into with the state
71 on or after February 1, 2000, to provide health care coverage to retired
72 teachers, spouses or surviving spouses covered by plans offered by the
73 state teachers' retirement system;

74 (6) Any new or renewal contract or policy entered into on or after
75 July 1, [2001] 2012, to provide health care coverage to employees of a
76 municipality and their dependents; [under a plan procured pursuant

77 to section 5-259;]

78 (7) Any new or renewal contract or policy entered into on or after
79 July 1, 2001, to provide health care coverage to employees of nonprofit
80 organizations and their dependents under a plan procured pursuant to
81 section 5-259;

82 (8) Any new or renewal contract or policy entered into on or after
83 July 1, 2003, to provide health care coverage to individuals eligible for
84 a health coverage tax credit and their dependents under a plan
85 procured pursuant to section 5-259;

86 (9) Any new or renewal contract or policy entered into on or after
87 July 1, 2005, to provide health care coverage to employees of
88 community action agencies and their dependents under a plan
89 procured pursuant to section 5-259; or

90 (10) Any new or renewal contract or policy entered into on or after
91 July 1, 2005, to provide health care coverage to retired members and
92 their dependents under a plan procured pursuant to section 5-259.

93 (c) The provisions of this chapter pertaining to the filing of returns,
94 declarations, installment payments, assessments and collection of
95 taxes, penalties, administrative hearings and appeals imposed on
96 domestic insurance companies shall apply with respect to the charge
97 imposed under this section.

98 Sec. 3. Section 12-210 of the general statutes is repealed and the
99 following is substituted in lieu thereof (*Effective July 1, 2012*):

100 (a) Each newly licensed insurance company incorporated by or
101 organized under the laws of any other state or foreign government
102 shall pay to the Commissioner of Revenue Services, [within] not later
103 than forty-five days [of] after the effective date of such company's
104 initial license to transact business in this state, a tax on the net direct
105 premiums received by such company in the next five preceding
106 calendar years from policies written on property or risks located or

107 resident in this state, except ocean marine insurance and health
108 insurance as specified in subdivision (c) of this section, at the rate in
109 effect for each such calendar year.

110 (b) Each insurance company incorporated by or organized under
111 the laws of any other state or foreign government and doing business
112 in this state shall, annually, on and after January [1, 1995] first, pay to
113 said Commissioner of Revenue Services, in addition to any other taxes
114 imposed on such company or its agents, a tax of one and three-
115 quarters per cent of all net direct premiums received by such company
116 in the calendar year next preceding from policies written on property
117 or risks located or resident in this state, excluding premiums for ocean
118 marine insurance and health insurance as specified in subsection (c) of
119 this section, and, upon ceasing to transact new business in this state,
120 shall continue to pay a tax upon the renewal premiums derived from
121 its business remaining in force in this state at the rate which was
122 applicable when such company ceased to transact new business in this
123 state.

124 (c) On and after July 1, 2012, the tax set forth in subsections (a) and
125 (b) of this section shall not apply to any net direct health insurance
126 premiums received by such company from a municipality in this state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2012</i>	12-202
Sec. 2	<i>July 1, 2012</i>	12-202a
Sec. 3	<i>July 1, 2012</i>	12-210

Statement of Purpose:

To exempt health insurance premiums paid by a municipality from the insurance premiums tax.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]