Senate

General Assembly

File No. 518

January Session, 2013

Senate Bill No. 1046

Senate, April 16, 2013

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING INSURANCE TAX PROVISIONS.

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

Section 1. Subsection (b) of section 38a-91nn of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2013*):

(b) Each captive insurance company shall pay to the Commissioner of Revenue Services, **[**in the month of March**]** on or before March first of each year, a tax at the rate of (1) two hundred fourteen thousandths of one per cent on the first twenty million dollars, (2) one hundred forty-three thousandths of one per cent on the next twenty million dollars, (3) forty-eight thousandths of one per cent on the next twenty million dollars, and (4) twenty-four thousandths of one per cent on each dollar thereafter, on assumed reinsurance premiums collected or contracted for on policies or contracts of insurance written by the captive insurance company during the year ending December thirty-first next preceding, provided no tax under this subsection shall apply to premiums for risks or portions of risks that are subject to taxation on a direct basis pursuant to subsection (a) of this section. No tax under this subsection shall be payable in connection with the receipt of assets in exchange for the assumption by a captive insurance company of loss reserves and other liabilities of another insurer under common ownership and control, if such transaction is part of a plan to discontinue the operations of such other insurer and if the intent of the parties to such transaction is to renew or maintain such business with the captive insurance company.

Sec. 2. Section 12-204f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2013, and applicable to estimated tax payments for calendar years commencing on and after January 1, 2014*):

(a) If any domestic insurance company has paid as an installment of estimated tax an amount in excess of the amount determined to be the correct amount of such installment, such amount shall be credited against any unpaid installment or against the tax. If the amount already paid, whether or not on the basis of installments, exceeds the amount determined to be the correct amount of the tax, such company shall be paid by the State Treasurer, upon order of the Comptroller, the amount of such overpayment. **[**The commissioner may prescribe regulations providing for the crediting against the estimated tax for any taxable year of the amount determined to be an overpayment of the premium tax for a preceding taxable year.**]**

(b) If a domestic insurance company has filed its tax return under this chapter for the calendar year on or before the due date of such return or, if an extension of time to file has been requested and granted, on or before the extended due date of such return, any overpayment reported on such return, if the company has elected to credit such overpayment against the company's estimated tax for the succeeding calendar year, shall be treated as if paid on the due date of the first required installment of estimated tax for such succeeding calendar year. Such overpayment shall be credited against the otherwise unpaid required installments in the order in which such installments are required to be paid under section 12-204c.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2013*	38a-91nn(b)
Sec. 2	*July 1, 2013, and applicable to estimated tax payments for calendar years commencing on and after January 1, 2014*	12-204f

FIN *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill, which alters the treatment of overpayments of estimated insurance premium taxes and the timing of certain payments by captive insurance companies, has no fiscal impact to the state or municipalities.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis
SB 1046

AN ACT CONCERNING INSURANCE TAX PROVISIONS.

SUMMARY:

This bill gives domestic insurance companies the choice of applying an insurance premium tax overpayment to their estimated tax payments for the following year or, as current law provides, receiving a refund for the overpaid amount. It eliminates the revenue services commissioner's authority to adopt regulations governing how excess estimated tax payments must be credited from one year to the next.

The bill also requires captive insurance companies to pay premium taxes on assumed reinsurance premiums by March 1 annually, rather than in March. Captive insurers are typically wholly-owned subsidiaries that insure some or all of their parent company's risks. They can also insure another insurer's risks if they are authorized to insure those types of risks (i.e., reinsurance). Under existing law, unchanged by the bill, captive insurers must pay premium taxes on direct-written premiums by March 1 annually.

EFFECTIVE DATE: July 1, 2013, and the change affecting premium tax overpayments is applicable to estimated tax payments for the calendar years beginning on or after January 1, 2014

ESTIMATED INSURANCE PREMIUM TAX OVERPAYMENTS

The bill allows domestic insurers who have timely filed their tax returns to apply tax overpayments to the following year's estimated tax or receive a refund, as current law provides. By law, these insurers must pay their estimated insurance premium taxes in four installments during the calendar year according to the schedule the law specifies. If a company overpays an installment, the law requires the excess to be credited against the next installment. But, if the amount paid for the year exceeds the amount of tax due for that year, current law requires the state to refund the company.

Under the bill, the insurer can elect to apply the excess taxes to its estimated taxes for the following year. If the insurer elects to do this, the state must apply the excess to the first installment due in the next income year and to any subsequent installments in the order they are due.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 51 Nay 0 (04/04/2013)