
OLR Bill Analysis

sSB 809

AN ACT ALLOWING THE TRANSFERS OF TAX CREDITS TO INSURANCE COMPANY AFFILIATES.

SUMMARY:

This bill permits insurance companies and HMOs to transfer to their affiliates an insurance premium tax credit that, under current law, may not be transferred or assigned. The affiliate must use the transferred tax credit to reduce its own premium tax liability. The law already allows insurance companies and HMOs to transfer certain tax credits to other taxpayers, including their affiliates, subject to certain restrictions.

Although the bill allows insurers and HMOs to transfer a credit to an affiliate, it prohibits the revenue services commissioner from allowing the affiliate to claim the transferred credit unless certain conditions are met. The insurer or HMO and affiliate must file any information the commissioner requires by the due date of the tax return on which the insurer or HMO would have taken the credit if it had not transferred it to the affiliate.

EFFECTIVE DATE: July 1, 2015, and applicable to calendar years beginning on or after January 1, 2015.

INSURANCE PREMIUM TAX CREDITS

The law allows insurers and HMOs to apply tax credits against their insurance premium tax liability. Some tax credit programs require the entity that earns the credit to claim it, while others allow entities to transfer or assign the credits they earn to other taxpayers. The bill allows insurers and HMOs to transfer credits to an affiliate that they would otherwise have to claim themselves (e.g., electronic data processing equipment property tax, historic homes rehabilitation, housing program contribution, and Neighborhood Assistance Act tax

credits).

Existing law, unchanged by the bill, allows insurance companies and HMOs to transfer specific tax credits to other taxpayers (e.g., urban and industrial site reinvestment, film production, film infrastructure, digital animation, historic preservation, and insurance reinvestment fund tax credits). The transfers are generally subject to restrictions, including limits on the (1) number of times a particular credit may be transferred and (2) tax period for which a transferee may claim the credit. These restrictions would apply to any tax credit transferred by an insurance company or HMO to its affiliate.

BACKGROUND

Legislative History

The Senate referred the bill (File 17) to the Finance, Revenue and Bonding Committee, which favorably reported a substitute that postpones the bill's effective date for two years (from July 1, 2013 to July 1, 2015).

Affiliate

Under state insurance law, an "affiliate" is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another person (CGS § 38a-1(1)).

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 16 Nay 3 (02/14/2013)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 37 Nay 13 (05/06/2013)