

# Alaska State Legislature

**Senate Majority Leader**

Joint Armed Services Committee

Co-Chairman

Judiciary Committee

Vice-Chairman

Resources Committee

State Affairs Committee

Legislative Council

Rules Committee



**Senator John Coghill**

Session Address:  
State Capitol, Room 119  
Juneau, AK 99801-1182  
(907) 465-3719  
Fax (907) 465-3258

Interim Address:  
1292 Sadler Way, Suite 340  
Fairbanks, AK 99701  
(907) 451-2997  
Fax (907) 451-3526  
877-465-3719

[www.aksenate.org](http://www.aksenate.org)

## **Sponsor Statement**

***SB 15 "An Act relating to the tax on policy year premiums for life insurance policies."***

SB 15 requires that taxes for single or group life insurance policies shall be set at 0.08% exceeding \$100,000.

In 2014, taxes on insurance premiums constituted 8.6% of non-petroleum unrestricted revenues, approximately 55 million dollars. In 2015 the forecast for life insurance revenue is projected to rise to 9.5%, approximately 57 million dollars, and in 2016 it is expected to remain at the same level but rise to approximately 59 million dollars.

Back in 1998 because of virtually no collection of taxes on policies of over \$100,000 AS 21.09.210(m) was subsequently changed to cut taxes from 2.7% to 0.1% for life insurance policies exceeding \$100,000. Yet already by 2006 the state of South Dakota had matched the state of Alaska and then some, dropping down to 0.08% over \$100,000, thereby undercutting revenue for Alaska. In 2010, 29 companies wrote life policies in South Dakota over \$100,000 in premium. The total amount of premiums over \$100,000 was \$97 million. In 2014, 32 policies were written in South Dakota totaling 120 million. This has resulted in a sizable reduction of the number of life insurance policies over \$100,000 sold in this state.

In order to remain competitive Alaska then must match South Dakota now, and a cut in the premium from 0.1% to 0.08% is the appropriate response to South Dakota's success and a good solution for Alaska.