

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



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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. 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.