

Amended: 4/5/90  
Offered: 1/26/90  
Referred: Finance

6-1382H

Original sponsor(s): LABOR & COMMERCE COMMITTEE

1 IN THE HOUSE BY THE LABOR & COMMERCE COMMITTEE  
2 CS FOR HOUSE BILL NO. 355 (L&C) am  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION  
5 A BILL  
6 For an Act entitled: "An Act relating to insurance premium taxes; and  
7 providing for an effective date."  
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
9 \* Section 1. AS 21.09.210(b) is repealed and reenacted to read:  
10 (b) Except for a hospital and medical service corporation, by  
11 April 1 of each calendar year, an authorized insurer, or formerly  
12 authorized insurer with respect to premiums received while an autho-  
13 rized insurer in this state, shall pay to the director a tax on gross  
14 premium income received during the preceding calendar year for insur-  
15 ing property or risks resident, located, or to be performed in the  
16 state at the rate of 2.7 percent. By April 1 of each calendar year, a  
17 hospital and medical service corporation shall pay to the director a  
18 tax on gross premium income received during the preceding calendar  
19 year for health care insurance at the rate of six percent of gross  
20 premium income less claims paid. In computing the tax due under this  
21 subsection, an insurer may deduct from gross premium income applicable  
22 cancellations, returned premiums, the unabsorbed portion of any de-  
23 posit premium, all policy dividends, unabsorbed premiums refunded to  
24 policyholders, refunds, savings, savings coupons, and other similar  
25 returns paid or credited to a policyholder. A deduction from gross  
26 premium income may not be made for the cash surrender value of a  
27 policy. Consideration received for an annuity contract may not be  
28 considered gross premium income and is not subject to tax imposed by  
29 this subsection. The director may adopt regulations that require tax

1        payments be made on other than an annual basis.

2        \* Sec. 2. AS 21.09.210 is amended by adding a new subsection to read:

3                (j) The commissioner of administration shall separately account  
4        for premium taxes collected by the division of insurance that the  
5        division deposits in the general fund. The annual estimated balance  
6        in the account may be appropriated by the legislature to the Alaska  
7        medical malpractice matching fund under AS 21.88.310.

8        \* Sec. 3. AS 21.33.055(a) is repealed and reenacted to read:

9                (a) Except for a premium received for lawfully procured surplus  
10       lines insurance or a premium received for independently procured  
11       insurance on which a tax has been paid under AS 21.33.061, a premium,  
12       membership fee, assessment, or other consideration received for insur-  
13       ance issued by a nonadmitted insurer is subject to the tax imposed on  
14       insurers other than hospital and medical service corporations under  
15       AS 21.09.210(b). Insurance on subjects resident, located, or to be  
16       performed in this state procured through negotiation or application,  
17       in whole or in part occurring in or out of this state, or for which  
18       premiums in whole or in part are remitted directly or indirectly from  
19       in or out of this state, shall be considered to be insurance procured,  
20       continued, or renewed in this state. On default of a nonadmitted  
21       insurer in the payment of the tax, the insured shall pay the tax to  
22       the director as required under AS 21.09.210(b). If the tax imposed  
23       under this subsection is not paid when due the tax shall be increased  
24       by a penalty of 25 percent and by an additional penalty not to exceed  
25       \$100 a day from the date the payment was due to the date paid.

26       \* Sec. 4. AS 21.33.061(c) is repealed and reenacted to read:

27                (c) A premium, membership fee, assessment, or other considera-  
28       tion received for insurance issued by a nonadmitted insurer is subject  
29       to the tax imposed on insurers other than hospital and medical service

1 corporations under AS 21.09.210(b).

2 \* Sec. 5. AS 21.33.061(e) is amended to read:

3 (e) If the insured fails to withhold from the premium the amount  
4 of tax levied, the insured is liable for the amount and shall pay the  
5 tax to the director as required under AS 21.09.210(b) [WITHIN THE TIME  
6 STATED IN (c) OF THIS SECTION]. If the tax imposed under [PRESCRIBED  
7 BY] this section is not paid when due [WITHIN THE TIME STATED IN (c)  
8 OF THIS SECTION], the tax shall be increased by a penalty of 25 per-  
9 cent and by [THE AMOUNT OF] an additional penalty not to exceed \$100  
10 per day from the date the payment was due to the date paid.

11 \* Sec. 6. AS 21.88.060 is repealed and reenacted to read:

12 Sec. 21.88.060. PREMIUM TAX EXEMPTION. Premium income received  
13 by the corporation for insurance issued under this chapter is exempt  
14 from taxation.

15 \* Sec. 7. AS 21.09.210(d) and 21.09.210(h) are repealed.

16 \* Sec. 8. APPLICABILITY. This Act applies to insurance policies that  
17 are issued or renewed on or after the effective date of this section.

18 \* Sec. 9. Section 2 of this Act takes effect on the effective date of  
19 an Act establishing the Alaska medical malpractice matching fund.

20 \* Sec. 10. Except for sec. 2 of this Act, this Act takes effect July 1,  
21 1990.