

FINAL BILL REPORT

SHB 2040

C 341 L 03

Synopsis as Enacted

Brief Description: Establishing liability for taxes on unlawful or delinquent insurers or taxpayers.

Sponsors: By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Santos and Benson; by request of Insurance Commissioner).

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Services, Insurance & Housing

Background:

The Insurance Commissioner (Commissioner) is authorized to collect premium taxes, including prepayments, from insurers, health maintenance organizations, and health care services contractors doing business in this state. Prepayments must be made for the current calendar year and are credited towards the total tax obligation owed for that year.

The Commissioner must assess penalties against insurers that fail to make timely payments on their premium taxes. Under current law, neither health maintenance organizations nor health care services contractors are subject to such penalties. In addition, current law does not allow the assessment of penalties for failure to make timely prepayments.

Summary:

Health maintenance organizations and health care services contractors are subject to the same penalties as are other insurers for failure to make timely payments on premium taxes. Penalties are authorized for failure to make timely prepayments on their premium taxes. The Commissioner must assess interest at the maximum legal rate on unpaid premium taxes and/or prepayments, commencing 61 days after the tax is due. The provision does not apply with respect to taxes owed by surplus lines brokers.

The premium taxes owed are apportioned so as to apply to only that portion of a premium related to risks or exposures located in this state, or enrolled participants residing in this state.

Those entities and/or individuals that engage in the unlawful solicitation or transaction of insurance business are subject to the same tax and penalty provisions as those that are lawfully doing business in Washington. Licensed surplus lines brokers are exempted

from this provision.

Votes on Final Passage:

House 98 0

Senate 49 0

Effective: July 27, 2003