

HOUSE BILL REPORT

HB 1832

*As Reported By House Committee on:
Revenue*

Title: An act relating to insurance retaliatory provisions.

Brief Description: Limiting the state's insurance retaliatory provision.

Sponsor(s): Representatives Wang and Appelwick.

Brief History:

Reported by House Committee on:
Revenue, February 28, 1991, DPS.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *That Substitute House Bill No. 1832 be substituted therefor, and the substitute bill do pass.*
Signed by 9 members: Representatives Wang, Chair; Fraser, Vice Chair; Appelwick; Belcher; Day; Leonard; Morris; Phillips; and Rust.

Minority Report: *Do not pass.* Signed by 6 members: Representatives Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Brumsickle; Morton; Silver; and Van Luven.

Staff: Robin Appleford (786-7093).

Background: The insurance premiums tax is imposed on most insurance activities at a rate of 2 percent. The base for the insurance premiums tax is gross premiums, less deductions for premiums returned to policyholders. Ocean marine and foreign trade insurers pay tax at a rate of 0.95 percent on premiums received after deductions for net losses.

Washington's tax structure also authorizes a "retaliatory" tax on out-of-state insurance companies. Retaliatory tax provisions allow states to tax out-of-state insurance companies at the higher of (1) the state's applicable tax rate, or (2) the rate the company's home state imposes on out-of-state companies. Forty-six other states impose retaliatory taxes, and most apply retaliatory taxes to all types of insurance taxes and fees.

The Minnesota Legislature recently enacted a "reciprocal non-retaliation" law. The law is based on uniform legislation adopted by the Council of State Governments. Reciprocal non-retaliation provides that Minnesota will not impose its retaliatory tax on companies domiciled in another state if the other state agrees not to retaliate against Minnesota companies. New York and Massachusetts are the only other states with reciprocal non-retaliation laws.

Summary of Substitute Bill: Companies from states or countries that have adopted reciprocal non-retaliation laws are exempt from Washington's retaliatory tax provisions. Currently, only companies from Minnesota, New York, and Massachusetts would be exempt.

Substitute Bill Compared to Original Bill: Language is added to make the non-retaliation provision consistent with existing statutes. The effective date is changed from ninety days after adjournment of session in which bill is enacted to July 1, 1993.

Fiscal Note: Requested February 13, 1991.

Effective Date of Substitute Bill: The bill takes effect July 1, 1993.

Testimony For: None.

Testimony Against: None.

Witnesses: Roger Polzin, Deputy Insurance Commissioner (responded to questions).