
**Consumer Protection & Business
Committee**

HB 1339

Brief Description: Adjusting the insurance premium tax rate.

Sponsors: Representatives Schmick, Dent and Graham.

Brief Summary of Bill

- Requires the Insurance Commissioner to annually adjust the tax rate applied to certain insurance premiums.

Hearing Date: 1/24/23

Staff: Megan Mulvihill (786-7304).

Background:

Insurers are required to pay a tax on all net premiums they receive from their policyholders. The insurance premium tax rate is 2 percent, except for ocean marine and foreign trade insurers who pay 0.95 percent, and does not apply to title insurers, captive insurers, health and dental plans, and fraternal benefit societies. For property and casualty insurance in which Washington is the insured's home state, the tax is computed upon the entire premium, regardless of whether the policy covers risks or exposures that are in this state. For all other lines of insurance, the tax is computed upon the proportion of the premium that is properly allocable to the risks or exposures located in this state. Insurance premium taxes are deposited in the state general fund, except for fire related premium taxes.

Washington assesses retaliatory taxes on foreign, meaning out-of-state, insurers when the foreign insurer's state of domicile assesses higher aggregate taxes, fees, and assessments on insurance policies written by Washington-domiciled insurers than the state would otherwise assess on

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foreign insurers writing insurance in Washington. All states, except Hawaii, use this retaliatory tax system.

Summary of Bill:

The Insurance Commissioner must annually adjust the tax rate applied to insurance premiums for property and casualty, life, and disability insurance by calculating the three-year average of the year-over-year percentage change in insurance premium taxes collected. The three-year period consists of the three tax years immediately preceding the current tax year in order to calculate the rate for the upcoming tax year. The tax rate must be reduced by the three-year average revenue change. However, the adjusted premium tax rate may not exceed 2 percent.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.