

Limit B&O tax exemption for insurance companies to exclude affiliated companies that do not sell insurance

Description This proposal would limit the B&O tax exemption for insurance businesses to income earned by authorized insurers that is subject to insurance premiums tax.

Current Law A B&O tax exemption is provided to persons engaged in insurance business upon which a state tax on gross insurance premiums is paid.

The exemption applies to any income received by an authorized insurer or a related entity from activities that are integral or “functionally related” to the sale and servicing of insurance policies. For example, an authorized insurer creates a subsidiary that provides investigation services on its own behalf and for other insurers that pay insurance premiums tax in Washington. Income earned from those services is exempt from B&O tax even though it is not subject to insurance premiums tax.

Revenue Impact

General Fund Impacts (\$ millions):

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$0	\$1.3	\$1.3

Notes:

- *Estimates assume a July 1, 2012 effective date, representing 11 months of collections for FY 2013.*
- *Estimates reflect the September 2011 Economic & Revenue Forecast Council revenue forecast.*

Expenditure Impact

Fiscal Year 2012	Fiscal Year 2013	2011-2013 Biennium
\$4,300	\$8,000	\$12,300