

Chapter 10

Insurance Premiums Tax

48.14.020(1) - Title insurance

Description Title insurance companies are exempt from the 2.0 percent insurance premiums tax. However, they do pay B&O tax under the 0.471 percent retailing classification and collect retail sales tax from their customers.

Purpose To reflect the fact that title insurance is subject to retail sales tax.

Taxpayer savings

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$8.357 | \$8.644 | \$8.940 | \$9.247 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption

Repealing this exemption would increase revenue. However, there would be a net reduction in tax revenues by switching the activity to the insurance premiums tax.

Potential revenue gains from full repeal

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | \$7.923 | \$8.940 | \$9.247 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions

- Tax base (premiums) growth of 3.4 percent per year.
- The activity will also be subject to the B&O tax and retail sales tax.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|---------------------------------------|
| Category: | Tax Base |
| Year Enacted: | 1947 |
| Primary Beneficiaries: | Title insurance companies |
| Taxpayer Count: | 14 |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed a full review in 2010 |

48.14.020(1); 48.14.021 - Pensions, annuities, profit-sharing plans

Description Premiums received from policies or contracts issued in connection with a pension, annuity, or profit-sharing plan which is qualified under the Internal Revenue Code are exempt from insurance premiums tax. Most of the revenue impact is associated with annuities; insurance companies receive little income related to pensions or profit-sharing plans.

Purpose To support pensions, annuities and profit-sharing plans.

Taxpayer savings (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|----------|----------|----------|----------|
| State Taxes | \$91.800 | \$91.800 | \$91.800 | \$91.800 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption Repealing this exemption would increase revenue.

Potential revenue gains from full repeal (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|----------|----------|----------|
| State Taxes | \$0.000 | \$84.200 | \$91.800 | \$91.800 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions

- Average annual revenue of \$4.6 billion.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources Washington State Office of the Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|---|
| Category: | Tax Base |
| Year Enacted: | 1963 |
| Primary Beneficiaries: | Insurance companies with these products |
| Taxpayer Count: | 300 |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed an expedited report in 2012 |

48.14.020(4) - Ocean marine insurance

Description Ocean marine and foreign trade insurers receive a preferential insurance premium tax rate of 0.95 percent, and a deduction for losses. Other domestic and foreign insurers pay a 2.0 percent insurance premiums tax with no deduction for losses.

Purpose To support ocean marine commerce.

Taxpayer savings

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$2.024 | \$2.024 | \$2.024 | \$2.024 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | \$1.856 | \$2.024 | \$2.024 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions

- On average, loss is 61 percent of premiums.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|---|
| Category: | Business |
| Year Enacted: | 1947 |
| Primary Beneficiaries: | Companies that provide ocean marine and foreign trade insurance |
| Taxpayer Count: | 50 |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed an expedited report in 2009 |

48.14.0201(6)(a) - Medicare receipts

Description Health maintenance organizations and health care service contractors are exempt from the insurance premiums tax on Medicare payments received from the federal government.

Purpose Reduces the cost of providing health care for Medicare patients.

Taxpayer savings

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|-------------|-------------|-------------|-------------|
| State Taxes | \$1,144.523 | \$1,144.523 | \$1,144.523 | \$1,144.523 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|-------------|-------------|-------------|
| State Taxes | \$0.000 | \$1,049.146 | \$1,144.523 | \$1,144.523 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions

July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources

Washington State Office of Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|--|
| Category: | Business |
| Year Enacted: | 1993 |
| Primary Beneficiaries: | Health maintenance organizations and health care service contractors that provide coverage for Medicare patients |
| Taxpayer Count: | 32 |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed a full review in 2013 |

48.14.0201(6)(b) - Washington Basic Health Care receipts

Description Medical care receipts as provided in RCW 74.09.035 and Basic Health Care premiums are exempt from the insurance premiums tax.

Purpose To avoid taxing receipts from state sources.

Taxpayer savings

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions

Basic Health Plan is no longer available. It has been replaced by the marketplace exchange.

Data Sources

Washington State Office of Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|---------------------------------------|
| Category: | Business |
| Year Enacted: | 1993 |
| Primary Beneficiaries: | Health care service contractors |
| Taxpayer Count: | 0 |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed a full review in 2013 |

48.14.0201(6)(c) - Dentistry prepayments

Description Health service contractors and health maintenance organizations are exempt from the insurance premiums tax for amounts received for dental coverage. This excludes the following:

- Amounts received for pediatric oral services that qualify as coverage for the minimum essential coverage requirement; and,
- Stand-alone family dental plans when offered in the individual market, or to a small group.

Purpose To reduce the cost of providing dental coverage.

Taxpayer savings (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|-----------|---------|---------|---------|
| State Taxes | \$151.299 | 151.299 | 151.299 | 151.299 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | 138.691 | 151.299 | 151.299 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources Washington State Office of Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|---------------------------------------|
| Category: | Business |
| Year Enacted: | 1993 |
| Primary Beneficiaries: | Health care service contractors |
| Taxpayer Count: | 22 |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed a full review in 2013 |

48.14.022 - Health insurance by Washington State Pool

Description Carriers that receive premiums and prepayments from plan enrollees for health coverage provided under the Washington State Health Insurance Pool pursuant to Chapter 48.41 RCW are exempt from insurance premiums tax on those amounts. In addition, carriers, health care service contractors and HMOs may deduct assessments paid to the Washington State Health Insurance Pool from their taxable premiums. Any unused portion of the deduction can be carried forward and used in successive years until the deduction is exhausted.

Purpose To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered high risk.

Taxpayer savings (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.500 | \$0.500 | \$0.500 | \$0.500 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption Repealing this exemption would increase revenue. However, this could cause insurers to pass the amount of the assessment on to their regular policy holders and thereby make health insurance more expensive for the general population.

Potential revenue gains from full repeal (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | \$0.500 | \$0.500 | \$0.500 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions Total assessments will average \$26 million a year.

Data Sources Washington State Health Insurance Pool

Additional Information

| Additional Information | |
|-------------------------------|--|
| Category: | Business |
| Year Enacted: | 1987 |
| Primary Beneficiaries: | Persons with coverage under the Health Insurance Coverage Access Act |
| Taxpayer Count: | Unknown |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed a full review in 2012 |

48.32.145; 48.32A.125 - Insurance guarantee association assessments

Description Property, casualty, life and disability insurers may claim a credit against their insurance premiums tax for assessments made by the Washington Insurance Guarantee Association to pay covered claims of insolvent insurers. The credit may be taken over a five year period.

Purpose To ensure that claims against insolvent insurance companies are paid and that the cost is not borne by the policyholders of the surviving companies.

Taxpayer savings (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.800 | \$0.800 | \$0.800 | \$0.800 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption Repealing this exemption would increase revenue.

Potential revenue gains from full repeal (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | \$0.700 | \$0.800 | \$0.800 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources Office of the Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|--|
| Category: | Business |
| Year Enacted: | 1976 |
| Primary Beneficiaries: | Insurance companies |
| Taxpayer Count: | 800 |
| Program Inconsistency: | The state does not normally become involved in payment of debts of private firms |
| JLARC Review: | JLARC completed a full review in 2012 |

48.36A.240 - Fraternal benefit societies

Description Fraternal benefit societies governed by Chapter 48.36A RCW are exempt from all state and local taxation, other than taxes on real estate and office equipment. As a result, fraternal benefit societies are exempt from insurance premiums tax on policies they provide for their members.

Purpose To support the programs of fraternal benefit societies.

Taxpayer savings (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$4.000 | \$4.000 | \$4.000 | \$4.000 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Repeal of exemption Repealing this exemption would increase revenue.

Potential revenue gains from full repeal (\$ in millions):

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-------------|---------|---------|---------|---------|
| State Taxes | \$0.000 | \$3.700 | \$4.000 | \$4.000 |
| Local Taxes | \$0.000 | \$0.000 | \$0.000 | \$0.000 |

Assumptions

- Average of \$202 million in premium income annually.
- July 1, 2020, effective date, with 11 months of collections in Fiscal Year 2021.

Data Sources Washington State Office of the Insurance Commissioner

Additional Information

| Additional Information | |
|-------------------------------|---------------------------------------|
| Category: | Nonprofit |
| Year Enacted: | 1947 |
| Primary Beneficiaries: | Fraternal benefit societies |
| Taxpayer Count: | 20 |
| Program Inconsistency: | None evident |
| JLARC Review: | JLARC completed a full review in 2009 |