

BUSINESS TAXES

OTHER BUSINESS TAXES - INSURANCE PREMIUMS TAX

48.14.020 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 retailing classification and collect retail sales tax from their customers.

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

Category/Year Enacted: Tax base. 1947

Primary Beneficiaries: Approximately 64 title insurance companies.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 5,711	\$ 5,837	\$ 5,965	\$ 6,097
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; a net reduction in tax would occur if the activity were switched from B&O/retail sales tax.

48.14.020 ANNUITIES

Description: Amounts received by insurance companies for granting annuities are exempt from insurance premiums tax.

Purpose: To reduce the cost of annuities.

Category/Year Enacted: Tax base. 1979.

Primary Beneficiaries: Insurance companies that sell annuities and the individuals who purchase them.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 48,666	\$ 52,073	\$ 55,718	\$ 59,618
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Unlikely; annuities are different than an insurance policy.

BUSINESS TAXES

48.14.020(3) RATE FOR OCEAN MARINE INSURANCE

Description: Insurance premiums tax is levied at a rate of 0.95 percent on the gross underwriting profit of ocean marine and foreign trade insurers, rather than the 2.0 percent rate paid by other domestic and foreign insurers. Furthermore, these insurers pay premiums tax on much smaller taxable income than do other insurers, because losses can be deducted from premium income.

Purpose: To support ocean marine commerce.

Category/Year Enacted: Business incentive. 1947

Primary Beneficiaries: Companies that provide ocean marine and foreign trade insurance.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 1,455	\$ 1,462	\$ 1,470	\$ 1,477
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

48.14.0201(6a) MEDICARE RECEIPTS

Description: Health maintenance organizations (HMOs) and health care service contractors (HCSCs) are exempt from premiums tax on Medicare payments received from the federal government.

Purpose: To reduce the cost of providing health care for Medicare patients.

Category/Year Enacted: Other business. 1993

Primary Beneficiaries: HMOs and HCSCs that provide coverage for Medicare patients.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 16,817	\$ 17,036	\$ 17,376	\$ 17,863
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

48.14.0201(6b) DENTISTRY

Description: Health care service contractors (HCSCs) are exempt from insurance premiums tax on amounts received from dental plans.

Purpose: To reduce the cost of providing dental coverage.

Category/Year Enacted: Other business. 1993

Primary Beneficiaries: HCSCs that provide dental benefits.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 10,239	\$ 10,956	\$ 11,723	\$ 12,543
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

48.14.022 HEALTH INSURANCE BY WASH. STATE POOL

Description: Any 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, this statute allows carriers, health care service contractors and HMOs to deduct from taxable premiums any assessments paid to the Washington State Health Insurance Pool.

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

Category/Year Enacted: Other business. 1987

Primary Beneficiaries: Persons who obtain coverage under the Health Insurance Coverage Access Act.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 414	\$ 447	\$ 483	\$ 522
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes, although 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.

BUSINESS TAXES

48.14.029 CREDIT FOR INTERNATIONAL SERVICES

Description: Firms which are engaged in providing insurance services to customers located outside of the United States are eligible for a credit against insurance premiums tax liability. The credit is equal to \$3,000 for each new full-time job created by the firm in certain geographic areas. The credit may be taken annually for up to five years. Eligible areas include: (1) community empowerment zones designated under RCW 43.31C.020, and (2) areas comprised of contiguous census tracts in cities or groups of cities with a combined population greater than 80,000 which meet the unemployment and poverty criteria specified in RCW 43.31C.030.

Purpose: To attract and retain businesses that provide international services and to enhance employment.

Category/Year Enacted: Business incentive. 1998

Primary Beneficiaries: None to date.

Possible Program Inconsistency: None evident.

Taxpayer Savings (\$000) None. To date, no firm has claimed this tax credit.

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes; if anyone was actually taking the credit.

48.32.145 INSURANCE GUARANTEE FUNDS 48.32A.125

Description: Assessments are made by the Insurance Commissioner against property, casualty, life and disability insurers to pay claims made against insolvent insurers. The assessment may be credited against a firm's insurance premiums tax 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.

Category/Year Enacted: Other business. 1976

Primary Beneficiaries: Insurance companies.

Possible Program Inconsistency: The state does not normally become involved in payment of debts of private firms.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 7,559	\$ 8,215	\$ 9,792	\$ 10,072
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.

BUSINESS TAXES

48.36A.240 FRATERNAL BENEFIT SOCIETIES

Description: Fraternal benefit societies are governed by Chapter 48.36A RCW and are exempt from all Washington State insurance laws. This statute exempts such societies from 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 these organizations.

Category/Year Enacted: Nonprofit - charitable or religious. 1947; recodified in 1987.

Primary Beneficiaries: Approximately 23 nonprofit, mutual organizations and their members.

Possible Program Inconsistency: None evident.

<u>Taxpayer Savings (\$000)</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
State tax	\$ 2,555	\$ 2,611	\$ 2,669	\$ 2,727
Local taxes - none.				

If the exemption were repealed, would the taxpayer savings be realized as increased revenues? Yes.