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3 MARSH AMENDMENT NO. 2 TO HB540 AS ENGROSSED

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8 On page 1, line 8 after "Sections", insert
9 "27-4A-3,"

10 On page 1, line 19 after "laws;", insert the
11 following:

12 "to provide further for the distribution of proceeds
13 from the insurance premium tax;

14 On page 2, line 22 after "Sections" insert
15 "27-4A-3,"

16 On page 2, line 25, insert the following:

17 "§Section 27-4A-3.

18 (a) Subject to the exceptions and exemptions
19 hereinafter set forth, for the year beginning on January 1,
20 1995, and for each year thereafter, every insurer shall pay to
21 the commissioner a premium tax equal to the percentage, as set
22 out in this subsection (a), of the premiums received by the
23 insurer for business done in this state, whether the same was
24 actually received by the insurer in this state or elsewhere:

25 (1) PREMIUM TAX ON LIFE INSURANCE PREMIUMS.

1 a. Except as hereinafter provided, the rates of tax-
2 ation on life insurance premiums shall be those amounts set
3 out in the following schedule:

4	Year	Foreign Insurers
5	1995	2.9
6	1996	2.8
7	1997	2.7
8	1998	2.5
9	Every Year Thereafter	2.3

10 b. Individual life insurance policies in a face
11 amount of greater than \$5,000 and up to and including \$25,000,
12 excluding group life insurance policies, shall be taxed at the
13 rate of one percent per annum.

14 c. Individual life insurance policies in a face
15 amount of \$5,000 or less, excluding group life insurance
16 policies, shall be taxed at the rate of one-half percent per
17 annum.

18 d. For the purposes of computing the face amount of
19 life insurance policies, all life insurance policies issued
20 within 60 days of another on the life of the same applicant or
21 applicants shall be treated as one policy.

22 (2) PREMIUM TAX ON HEALTH INSURANCE PREMIUMS.

1 a. Except as hereinafter provided, the rates of tax-
2 ation on premiums for health insurance, and accident and
3 health insurance for which a separate premium is charged,
4 shall be those amounts set out in the following schedule:

5	Year	Foreign Insurers
6	1995	2.9
7	1996	2.8
8	1997	2.4
9	1998	2.0
10	Every Year Thereafter	1.6

11 b. Premiums for hospital, medical, surgical, or
12 other health care benefits provided pursuant to any
13 employer-sponsored plan for groups with less than 50 insured
14 participants shall be taxed at the rate of one-half percent
15 per annum.

16 c. Premiums for hospital, medical, surgical, or
17 other health care benefits supplementary to Medicare and
18 Medicaid, or provided pursuant to an employer-sponsored plan
19 for governmental employees, shall be exempt from the premium
20 tax levied pursuant to this chapter.

21 (3) PREMIUM TAX ON OTHER INSURANCE PREMIUMS.

22 a. Except as hereinafter provided, the rate of
23 taxation on insurance other than life insurance, health

1 insurance, and accident health insurance shall be 3.6 percent
2 per annum.

3 b. Premiums for all of the following types of
4 insurance shall be taxed at the rate of one percent per annum:

5 1. All property and multi-peril insurance written in
6 fire protection Classes 9 and 10.

7 2. Mobile homes, mobile homeowners, homeowners and
8 low value dwelling policies in a face amount of \$40,000 or
9 less.

10 c. Premiums for medical liability insurance shall be
11 taxed at the rate of 1.6 percent per annum.

12 d. The tax imposed at the rate specified in
13 paragraph a. of this subdivision (3) shall be reduced by the
14 following credits for certain economic development activities
15 pursued in the State of Alabama.

16 1. Alabama Insurance Offices Facilities Credit. For
17 each office owned or leased by an insurer in the State of Ala-
18 bama and used for insurance operations, an insurer shall be
19 entitled to a credit against the tax imposed by paragraph a.
20 of this subdivision (3) according to the following schedule:

21 Number of Full-Time Employees in Office Credit as a % of

22 1-3

23 4-10

24 11-50

The total credit allowable for Alabama insurance office facilities shall not exceed one percent of an insurer's Alabama premiums taxable at the rate specified in paragraph a. of this subdivision (3).

2. Alabama Real Property Investment Credit. For each \$1,000,000 in value of real property investments in the State of Alabama, an insurer shall be entitled to a credit of 0.10 percent of its Alabama premiums taxable at the rate specified in paragraph a. of this subdivision (3). The total credit allowable for Alabama real property investments shall not exceed 1 percent of an insurer's Alabama premiums taxable at the rate specified in paragraph a. of this subdivision (3).

(i) Alabama real property investments which qualify for the Alabama real property investment credit include any improved Alabama real property owned by the insurer or an affiliate of the insurer on January 1, 1993, and any improved or unimproved Alabama real property acquired or new construction placed in service on or after January 1, 1993, by the insurer or an affiliate of the insurer.

(ii) For purposes of determining the Alabama real property investment credit, Alabama real property investments shall be valued at cost and not at book value or fair market value. The cost of capital improvements to existing Alabama real property investments, such as the renovation of shopping

1 centers, hotels, or other buildings, completed and placed in
2 service by the insurer or an affiliate of the insurer on or
3 after January 1, 1993, shall be considered an Alabama real
4 estate investment.

5 (iii) For purposes of determining the value of
6 Alabama real property investments, funds borrowed to finance
7 Alabama real property investments shall be subtracted from
8 cost so that only the net cost in the investment properties
9 borne from assets belonging to the insurer or an affiliate of
10 the insurer qualifies for the Alabama real property investment
11 credit. The cost of debt-financed Alabama real property
12 investments of an insurer shall be increased pro tanto as the
13 underlying debt is paid off by the insurer or an affiliate of
14 the insurer.

15 (iv) The Alabama real property investment credit
16 shall not be allowed for properties in the State of Alabama
17 used in an insurer's insurance operations and for which the
18 Alabama insurance office facilities credit is allowed or
19 allowable, without regard to the 1 percent limitation on the
20 credit. However, the cost of real property owned in the State
21 of Alabama and used in part as an Alabama real property
22 investment and in part for the insurer's insurance operations
23 shall be allocated on a square-foot basis so that the cost
24 allocated to that portion of the property not used for
25 insurance operations shall qualify for the Alabama real
26 property investment credit.

1 (v) Mortgages held by an insurer that are secured by
2 real property located in the State of Alabama shall not be
3 considered Alabama real property investments for purposes of
4 the Alabama real property investment credit.

5 3. Special Rules. The following special rules apply
6 to the Alabama insurance office facilities credit and the
7 Alabama real property investment credit.

8 (i) For purposes of determining the economic
9 development credits allowed under this section, the term
10 "affiliate" shall mean any business entity, other than a life
11 or health insurance company, which is wholly owned by the
12 insurer subject to tax under paragraph a. of this subdivision
13 (3) or any other insurer and its wholly owned subsidiaries,
14 other than a life or health insurance company, which is part
15 of a group of companies, including the insurer, which are
16 under common control and management. For an insurer having
17 affiliates, all premiums of the insurer and its insurance
18 company affiliates subject to tax at the rate specified in
19 paragraph a. of this subdivision (3) may be aggregated; all
20 Alabama insurance office facilities and all Alabama real
21 property investments may be aggregated; and, subject to the
22 specific credit limitations, the total allowable tax credits
23 may be determined as if all the aggregated premiums, office
24 facilities, and Alabama real property investments were owned
25 by one insurer. Once the total allowable credits have been
26 determined, the credits may be allocated to the insurer and
27 its insurance company affiliates at the sole discretion of the

1 insurer subject to the specific credit limitations on a per
2 insurance company basis. The computation of allowable credits
3 and their allocation to affiliates shall be made on forms to
4 be supplied by the Alabama Department of Insurance, which
5 forms shall be filed with the insurer's annual statement.

6 (b) Notwithstanding any provision of law to the
7 contrary, including, but not limited to, Section 27-4-4 and
8 Section 27-4-5, all premium tax payments made subsequent to
9 passage of this chapter shall be remitted in accordance with
10 this subsection (b). Beginning January 1, 1993, and all years
11 thereafter, each insurer shall pay its premium taxes on a
12 quarterly basis, as follows: on or before May 15, a payment
13 estimated on the basis of 25 percent of its business done in
14 this state during the preceding calendar year or, at the
15 option of the insurer, on the basis of its actual business
16 done in the state from January 1 through March 31 of the same
17 calendar year; on or before August 15, a payment estimated on
18 the basis of 45 percent of its business done in this state
19 during the preceding calendar year or, at the option of the
20 insurer, on the basis of 180 percent of its actual business
21 done in this state from April 1 through June 30 of the same
22 calendar year; on or before November 15, a payment estimated
23 on the basis of 25 percent of its business done in this state
24 during the preceding calendar year or, at the option of the
25 insurer, on the basis of its actual business done in this
26 state from July 1 through September 30 of the same calendar
27 year; on or before March 1, a payment in the amount of the

1 remainder of the actual premium taxes due on its business done
2 in the state during the preceding calendar year. Every
3 authorized insurer shall file with the commissioner a
4 statement, on a form as furnished or approved by the
5 commissioner, setting forth the total amount of premiums
6 received by it for business done in this state during the
7 period covered by the tax payment. The statement shall be
8 verified by an affidavit of an officer of the insurer having
9 knowledge of the facts. It is the intent and meaning of this
10 subsection (b) that any taxes paid on an estimated quarterly
11 basis during the calendar year shall be reconciled to actual
12 premiums received on risks in this state for such calendar
13 year on the March 1 payment date in the succeeding calendar
14 year.

15 (c) The tax imposed by this section shall be subject
16 to credit and deduction of the full amount, with 25 percent of
17 the full amount paid, or estimated to be paid, being credited
18 or deducted on each quarterly payment date, for all of the
19 following:

20 (1) Ad valorem property taxes paid by an insurer on
21 any building and real estate in this state which is owned and
22 occupied, in whole or in part, by the insurer for the full
23 period of the tax year as its principal office in the State of
24 Alabama.

25 (2) All ad valorem taxes paid by an insurer during
26 the calendar year on any other real estate and improvements

1 thereon in this state which is owned and at least 50 percent
2 occupied by the insurer for the full period of the tax year.

3 (3) Ad valorem property taxes paid by an insurer on
4 the insurer's offices in this state during the calendar year,
5 but with respect to the office apportioned to the square foot
6 area occupied by the insured, whether the ad valorem taxes are
7 paid directly by the insurer or in the form of rent to a
8 third-party landlord.

9 (4) All license fees and taxes paid to any county in
10 this state during the calendar year for the privilege of
11 engaging in the business of insurance within the county.

12 (5) All expenses of examination of the insurer by
13 the commissioner paid during the calendar year.

14 (6) Sixty percent of the franchise or privilege
15 taxes paid by the insurer to the State of Alabama for the
16 calendar year.

17 (7) All credits for assessments as provided under
18 Sections 27-42-16 and 27-44-13, or assessments for any
19 insurance guaranty fund or pool now or hereafter created by
20 statute paid during the calendar year.

21 (8) It is the intent of this subsection (c) that any
22 estimated allowable credits or deductions claimed on quarterly
23 returns be reconciled to actual expenditures made during the
24 calendar year on the return due for March 1 in the succeeding
25 calendar year.

1 (d) The premium taxes collected under this section
2 shall be deposited in the State Treasury and credited as
3 follows:

4 (1) To the credit of the State General Fund:

5 a. One hundred percent of the premium tax paid by
6 all health maintenance organizations, domestic and foreign.

7 b. Fifty percent of the premium tax paid by domestic
8 life insurers.

9 c. No part of the premium tax paid by nonprofit
10 corporations organized pursuant to the provisions of Sections
11 10-4-100 to 10-4-115, inclusive.

12 d. Twenty-five percent of the premium tax paid by
13 all other domestic insurers.

14 e. One hundred percent of the premium tax paid by
15 foreign life insurers.

16 f. Sixty-two and one-half percent of the premium tax
17 paid by all foreign property insurers.

18 g. Seventy-five percent of the premium tax paid by
19 all other foreign insurers.

20 (2) To the credit of the Education Trust Fund:

21 a. Fifty percent of the premium tax paid by domestic
22 life insurers.

23 b. No part of the premium tax paid by nonprofit
24 corporations organized pursuant to the provisions of Sections
25 10-4-100 to 10-4-115, inclusive.

26 c. Seventy-five percent of the premium tax paid by
27 all other domestic insurers.

1 d. Thirty-seven and one-half percent of the premium
2 tax paid by foreign property insurers.

3 e. Twenty-five percent of the premium tax paid by
4 all other foreign insurers.

5 (3) To the credit of the Alabama Special Mental
6 Health Trust Fund 100 percent of the premium taxes paid by
7 nonprofit corporations organized pursuant to Sections 10-4-100
8 to 10-4-115, inclusive.

9 (4) Any provision of this subsection (d) to the
10 contrary notwithstanding, the amount credited to the Education
11 Trust Fund and the Alabama Special Mental Health Trust Fund
12 for any fiscal year after the fiscal year ending September 30,
13 1992, under this subsection (d) shall be limited to no more
14 than the amount so credited in the fiscal year ending
15 September 30, 1992. Any premium tax that would have been
16 credited to the Education Trust Fund or the Alabama Special
17 Mental Health Trust Fund but for this limitation, shall be
18 credited to the State General Fund.

19 (5) Effective for the fiscal year beginning on
20 October 1, 2020 and for each fiscal year thereafter, the
21 amount credited to the Education Trust Fund under subdivision
22 (4) shall be deposited into the State General Fund.

23 (e) For the purposes of this section, the term
24 "insurer" shall not include counties, municipalities,
25 municipal corporations, political subdivisions of the state,
26 instrumentalities of counties, municipalities, municipal
27 corporations, or the State of Alabama, or corporations or

1 associations owned solely by counties, municipalities or the
2 State of Alabama."

3 On page 14, line 3 after "approval." insert the
4 following:

5 "As to improvements at industrial sites, the
6 Commission shall give preference to sites with at least 1,000
7 acres of available space."

8 On page 16, strike lines 18-19 in their entirety and
9 insert the following:

10 "for projects located in a county in which the
11 population is 25,000 or less according to the 2010 decennial
12 census. In the event applications are not received and credits
13 are not allocated for projects in these areas by the close of
14 the second quarter of the program year, the funds may revert
15 for allocations of other project applications."

16 On page 31, line 1, insert a new Section 11 and
17 renumber the subsequent sections accordingly:

18 "Section 11. Notwithstanding the provisions of
19 Section 40-18-376(d) (2), to the extent the investment credit
20 is used to offset an insurance premium tax liability and a
21 portion of the insurance premium taxes are deposited into the
22 Education Trust Fund, the Department of Finance shall
23 promulgate regulations to ensure that the credit would reduce
24 the distribution for the Education Trust Fund. Thereafter, the
25 credit will reduce the distributions to the State General Fund
26 only."