

REFERENCE TITLE: insurance premium tax rate

State of Arizona
Senate
Forty-eighth Legislature
First Regular Session
2007

SB 1244

Introduced by
Senators Gorman; Verschoor; Representatives Adams, Konopnicki, Stump

AN ACT

AMENDING SECTION 20-224, ARIZONA REVISED STATUTES; RELATING TO INSURANCE
PREMIUM TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-224, Arizona Revised Statutes, is amended to
3 read:

4 20-224. Premium tax

5 A. On or before March 1 of each year each authorized domestic insurer,
6 each other insurer and each formerly authorized insurer referred to in
7 section 20-206, subsection B, ~~shall~~ shall file with the director a report in a
8 form prescribed by the director showing total direct premium income including
9 policy membership and other fees and all other considerations for insurance
10 from all classes of business whether designated as a premium or otherwise
11 received by it during the preceding calendar year on account of policies and
12 contracts covering property, subjects or risks located, resident or to be
13 performed in this state, after deducting from such total direct premium
14 income applicable cancellations, returned premiums, the amount of reduction
15 in or refund of premiums allowed to industrial life policyholders for payment
16 of premiums direct to an office of the insurer and all policy dividends,
17 refunds, savings coupons and other similar returns paid or credited to
18 policyholders within this state and not reapplied as premiums for new,
19 additional or extended insurance. No deduction shall be made of the cash
20 surrender values of policies or contracts. Considerations received on
21 annuity contracts, as well as the unabsorbed portion of any premium deposit,
22 shall not be included in total direct premium income, and neither shall be
23 subject to tax. The report shall separately indicate the total direct
24 premium income received from fire insurance premiums on property located in
25 an incorporated city or town that procures the services of a private fire
26 company.

27 B. Coincident with the filing of such tax report each insurer shall
28 pay to the director for deposit, pursuant to sections 35-146 and 35-147, a
29 tax ~~of 2.0 per cent of such net premiums, except that~~ IN THE FOLLOWING
30 AMOUNTS:

31 1. FOR A LIFE INSURER OR A PROPERTY AND CASUALTY INSURER THE TAX IS AS
32 FOLLOWS:

- 33 (a) FOR CALENDAR YEAR 2008, 1.9 PER CENT OF THE NET PREMIUMS.
- 34 (b) FOR CALENDAR YEAR 2009, 1.8 PER CENT OF THE NET PREMIUMS.
- 35 (c) FOR CALENDAR YEAR 2010, 1.7 PER CENT OF THE NET PREMIUMS.
- 36 (d) FOR CALENDAR YEAR 2011, 1.6 PER CENT OF THE NET PREMIUMS.
- 37 (e) FOR CALENDAR YEARS AFTER 2011, 1.5 PER CENT OF THE NET PREMIUMS.

38 2. NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBSECTION:

39 (a) The tax on fire insurance premiums on property located in an
40 incorporated city or town which procures the services of a private fire
41 company is .66 per cent. ~~;~~

42 (b) The tax on all other fire insurance premiums is 2.2 per cent. ~~and~~

43 (c) The tax on health care service and disability insurance premiums
44 is as prescribed under sections 20-837, 20-1010 and 20-1060.

1 Any payments of tax pursuant to subsection E of this section shall be
2 deducted from the tax payable pursuant to this subsection. Each insurer
3 shall reflect the cost savings attributable to the lower tax in fire
4 insurance premiums charged on property located in an incorporated city or
5 town that procures the services of a private fire company.

6 C. Eighty-five per cent of the tax paid ~~hereunder~~ UNDER THIS SECTION
7 by an insurer on account of premiums received for fire insurance shall be
8 separately specified in the report and shall be apportioned in the manner
9 provided by sections 9-951, 9-952 and 9-972, except that all of the tax so
10 allocated to a fund of a municipality which has no volunteer ~~fire-fighters~~
11 FIREFIGHTERS or pension obligations to volunteer ~~fire-fighters~~ FIREFIGHTERS
12 shall be appropriated to the account of the municipality in the public safety
13 personnel retirement system and all of the tax so allocated to a fund of a
14 municipality which has both full-time paid ~~fire-fighters~~ FIREFIGHTERS and
15 volunteer ~~fire-fighters~~ FIREFIGHTERS or pension obligations to full-time paid
16 ~~fire-fighters~~ FIREFIGHTERS or volunteer ~~fire-fighters~~ FIREFIGHTERS shall be
17 appropriated to the account of the municipality in the public safety
18 personnel retirement system where it shall be reallocated by actuarial
19 procedures proportionately to the municipality for the account of the
20 full-time paid ~~fire-fighters~~ FIREFIGHTERS and to the municipality for the
21 account of the volunteer ~~fire-fighters~~ FIREFIGHTERS. A full accounting of
22 such reallocation shall be forwarded to the municipality and both local
23 boards.

24 D. This section shall not apply to title insurance, and such insurers
25 shall be taxed as provided in section 20-1566.

26 E. Any insurer which paid or is required to pay a tax of two thousand
27 dollars or more on net premiums received during the preceding calendar year,
28 pursuant to subsection B of this section and sections 20-224.01, 20-837,
29 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day of
30 each month from March through August a report for that month, on a form
31 prescribed by the director, accompanied by a payment in an amount equal to
32 fifteen per cent of the amount paid or required to be paid during the
33 preceding calendar year pursuant to subsection B of this section and sections
34 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments are due and
35 payable on or before the fifteenth day of each month and shall be made to the
36 director for deposit, pursuant to sections 35-146 and 35-147.

37 F. Except for the tax paid on fire insurance premiums pursuant to
38 subsections B and C of this section, an insurer may claim a premium tax
39 credit if the insurer qualifies for a credit pursuant to section 20-224.03 or
40 20-224.04.

41 Sec. 2. Effective date

42 Section 20-224, Arizona Revised Statutes, as amended by this act, is
43 effective from and after December 31, 2007.