

HOUSE BILL No. 2047

By Committee on Taxation

1-23

AN ACT concerning insurance premium taxes; relating to health insurance premiums received; amending K.S.A. 40-252 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 40-252 is hereby amended to read as follows: 40-252. Every insurance company or fraternal benefit society organized under the laws of this state or doing business in this state shall pay to the commissioner of insurance fees and taxes specified in the following schedule:

A

Insurance companies organized under the laws of this state:

1. Capital stock insurance companies and mutual legal reserve life insurance companies:	
Filing application for sale of stock or certificates of indebtedness	\$25
Admission fees:	
Examination of charter and other documents	500
Filing annual statement	100
Certificate of authority.....	10
Annual fees:	
Filing annual statement	100
Continuation of certificate of authority	10
2. Mutual life, accident and health associations:	
Admission fees:	
Examination of charter and other documents	\$500
Filing annual statement	100
Certificate of authority.....	10
Annual fees:	
Filing annual statement	100
Continuation of certificate of authority	10
3. Mutual fire, hail, casualty and multiple line insurers and reciprocal or interinsurance exchanges:	
Admission fees:	
Examination of charter and other documents	\$500
Filing annual statement	100
Certificate of authority.....	10

1 Annual fees:
 2 Filing annual statement 100
 3 Continuation of certificate of authority 10

4 In addition to the above fees and as a condition precedent to the con-
 5 tinuation of the certificate of authority provided in this code, all such
 6 companies shall pay a fee of \$2 for each agent certified by the company
 7 and shall also pay a tax annually upon all premiums received on risk lo-
 8 cated in this state at the rate of 1% for tax year 1997, and 2% for all tax
 9 years thereafter per annum less (1) for tax years prior to 1984, any taxes
 10 paid on business in this state pursuant to the provisions of K.S.A. 40-1701
 11 to 40-1707, inclusive, and 75-1508 and amendments thereto and (2) for
 12 tax years 1984 and thereafter, any taxes paid on business in this state
 13 pursuant to the provisions of K.S.A. 75-1508 and amendments thereto
 14 and the amount of the firefighters relief tax credit determined by the
 15 commissioner of insurance, *except that for tax year 2003 and all tax years*
 16 *thereafter no such tax shall be paid on premiums received by any insur-*
 17 *ance company for an individual or group policy of accident and sickness*
 18 *insurance or health insurance either of which provides coverage for hos-*
 19 *pital, medical and surgical services. The amount of the firefighters relief*
 20 *tax credit for a company for the current tax year shall be determined by*
 21 *the commissioner of insurance by dividing (A) the total amount of credits*
 22 *against the tax imposed by this section for taxes paid by all such companies*
 23 *on business in this state under K.S.A. 40-1701 to 40-1707, inclusive, and*
 24 *amendments thereto for tax year 1983, by (B) the total amount of taxes*
 25 *paid by all such companies on business in this state under K.S.A. 40-1703*
 26 *and amendments thereto for the tax year immediately preceding the cur-*
 27 *rent tax year, and by multiplying the result so obtained by (C) the amount*
 28 *of taxes paid by the company on business in this state under K.S.A. 40-*
 29 *1703 and amendments thereto for the current tax year.*

30 In the computation of the gross premiums all such companies shall be
 31 entitled to deduct any premiums returned on account of cancellations,
 32 including funds accepted before January 1, 1997, and declared and taxed
 33 as annuity premiums which, on or after January 1, 1997, are withdrawn
 34 before application to the purchase of annuities, all premiums received for
 35 reinsurance from any other company authorized to do business in this
 36 state, dividends returned to policyholders and premiums received in con-
 37 nection with the funding of a pension, deferred compensation, annuity
 38 or profit-sharing plan qualified or exempt under sections 401, 403, 404,
 39 408, 457 or 501 of the United States internal revenue code of 1986. Funds
 40 received by life insurers for the purchase of annuity contracts and funds
 41 applied by life insurers to the purchase of annuities shall not be deemed
 42 taxable premiums or be subject to tax under this section for tax years
 43 commencing on or after January 1, 1997.

B

Fraternal benefit societies organized under the laws of this state:

Admission fees:		
Examination of charter and other documents		\$500
Filing annual statement		100
Certificate of authority.....		10
Annual fees:		
Filing annual statement		100
Continuation of certificate of authority		10

C

Mutual nonprofit hospital service corporations, nonprofit medical service corporations, nonprofit dental service corporations, nonprofit optometric service corporations and nonprofit pharmacy service corporations organized under the laws of this state:

1. Mutual nonprofit hospital service corporations:		
Admission fees:		
Examination of charter and other documents		\$500
Filing annual statement		100
Certificate of authority.....		10
Annual fees:		
Filing annual statement		100
Continuation of certificate of authority		10
2. Nonprofit medical service corporations:		
Admission fees:		
Examination of charter and other documents		\$500
Filing annual statement		100
Certificate of authority.....		10
Annual fees:		
Filing annual statement		100
Continuation of certificate of authority		10
3. Nonprofit dental service corporations:		
Admission fees:		
Examination of charter and other documents		\$500
Filing annual statement		100
Certificate of authority.....		10
Annual fees:		
Filing annual statement		100
Continuation of certificate of authority		10
4. Nonprofit optometric service corporations:		
Admission fees:		
Examination of charter and other documents		\$500
Filing annual statement		100
Certificate of authority.....		10

1 Annual fees:

2 Filing annual statement 100

3 Continuation of certificate of authority 10

4 5. Nonprofit pharmacy service corporations:

5 Admission fees:

6 Examination of charter and other documents \$500

7 Filing annual statement 100

8 Certificate of authority..... 10

9 Annual fees:

10 Filing annual statement 100

11 Continuation of certificate of authority 10

12 In addition to the above fees and as a condition precedent to the con-
 13 tinuation of the certificate of authority, provided in this code, every cor-
 14 poration or association shall pay annually to the commissioner of insur-
 15 ance a tax in an amount equal to 1% for tax year 1997, and 2% for all tax
 16 years thereafter per annum of the total of all premiums, subscription
 17 charges, or any other term which may be used to describe the charges
 18 made by such corporation or association to subscribers for hospital, med-
 19 ical or other health services or indemnity received during the preceding
 20 year, *except that for tax year 2003 and all tax years thereafter no such tax*
 21 *shall be paid on such premiums or charges received by a corporation or*
 22 *association for hospital, medical or other health services or indemnity.* In
 23 such computations all such corporations or associations shall be entitled
 24 to deduct any premiums or subscription charges returned on account of
 25 cancellations and dividends returned to members or subscribers.

26 D

27 *Insurance companies organized under the*
 28 *laws of any other state, territory or country:*

29 1. Capital stock insurance companies and mutual legal reserve life insurance companies:

30 Filing application for sale of stock or certificates of indebtedness \$25

31 Admission fees:

32 Examination of charter and other documents 500

33 Filing annual statement 100

34 Certificate of authority..... 10

35 Annual fees:

36 Filing annual statement 100

37 Continuation of certificate of authority 10

38 In addition to the above fees all such companies shall pay \$5 for each
 39 agent certified by the company, except as otherwise provided by law.

40 As a condition precedent to the continuation of the certificate of au-
 41 thority, provided in this code, every company organized under the laws
 42 of any other state of the United States or of any foreign country shall pay
 43 a tax upon all premiums received during the preceding year at the rate

1 of 2% per annum, *except that for tax year 2003 and all tax years thereafter*
2 *no such tax shall be paid on premiums received by any insurance company*
3 *for an individual or group policy of accident and sickness insurance or*
4 *health insurance either of which provides coverage for hospital, medical*
5 *and surgical services.*

6 In the computation of the gross premiums all such companies shall be
7 entitled to deduct any premiums returned on account of cancellations,
8 including funds accepted before January 1, 1997, and declared and taxed
9 as annuity premiums which, on or after January 1, 1997, are withdrawn
10 before application to the purchase of annuities, dividends returned to
11 policyholders and all premiums received for reinsurance from any other
12 company authorized to do business in this state and premiums received
13 in connection with the funding of a pension, deferred compensation, an-
14 nuity or profit-sharing plan qualified or exempt under sections 401, 403,
15 404, 408, 457 or 501 of the United States internal revenue code of 1986.
16 Funds received by life insurers for the purchase of annuity contracts and
17 funds applied by life insurers to the purchase of annuities shall not be
18 deemed taxable premiums or be subject to tax under this section for tax
19 years commencing on or after January 1, 1997.

20 2. Mutual life, accident and health associations:

21 Admission fees:

22 Examination of charter and other documents	\$500
23 Filing annual statement	100
24 Certificate of authority.....	10

25 Annual fees:

26 Filing annual statement	100
27 Continuation of certificate of authority	10

28 In addition to the above fees, every such company organized under the
29 laws of any other state of the United States shall pay \$5 for each agent
30 certified by the company, and shall pay a tax annually upon all premiums
31 received at the rate of 2% per annum, *except that for tax year 2003 and*
32 *all tax years thereafter no such tax shall be paid on premiums received*
33 *by any company for accident and health insurance or health insurance*
34 *providing coverage for hospital, medical and surgical services.*

35 In the computation of the gross premiums all such companies shall be
36 entitled to deduct any premiums returned on account of cancellations,
37 including funds accepted before January 1, 1997, and declared and taxed
38 as annuity premiums which, on or after January 1, 1997, are withdrawn
39 before application to the purchase of annuities, dividends returned to
40 policyholders and all premiums received for reinsurance from any other
41 company authorized to do business in this state and premiums received
42 in connection with the funding of a pension, deferred compensation, an-
43 nuity or profit-sharing plan qualified or exempt under sections 401, 403,

1 404, 408, 457 or 501 of the United States internal revenue code of 1986.
 2 Funds received by life insurers for the purchase of annuity contracts and
 3 funds applied by life insurers to the purchase of annuities shall not be
 4 deemed taxable premiums or be subject to tax under this section for tax
 5 years commencing on or after January 1, 1997.

6 3. Mutual fire, casualty and multiple line insurers and reciprocal or interinsurance ex-
 7 changes:

8 Admission fees:
 9 Examination of charter and other documents and issuance of certificate
 10 of authority \$500
 11 Filing annual statement 100
 12 Certificate of authority 10

13 Annual fees:
 14 Filing annual statement 100
 15 Continuation of certificate of authority 10

16 In addition to the above fees, every such company or association or-
 17 ganized under the laws of any other state of the United States shall pay
 18 a fee of \$5 for each agent certified by the company and shall also pay a
 19 tax annually upon all premiums received at the rate of 2% per annum.

20 For tax years 1998 and thereafter, the annual tax shall be reduced by
 21 the “applicable percentage” of (1) any taxes paid on business in this state
 22 pursuant to the provisions of K.S.A. 75-1508 and amendments thereto
 23 and (2) the amount of the firefighters relief tax credit determined by the
 24 commissioner of insurance. The amount of the firefighters relief tax credit
 25 for a company taxable under this subsection for the current tax year shall
 26 be determined by the commissioner of insurance by dividing (A) the total
 27 amount of taxes paid by all such companies on business in this state under
 28 K.S.A. 40-1701 to 40-1707 and amendments thereto for tax year 1983 as
 29 then in effect, by (B) the total amount of taxes paid by all such companies
 30 on business in this state under K.S.A. 40-1703 and amendments thereto
 31 for the tax year immediately preceding the current tax year, and by mul-
 32 tiplying the result so obtained by (C) the amount of taxes paid by the
 33 company on business in this state under K.S.A. 40-1703 and amendments
 34 thereto for the current tax year. The “applicable percentage” shall be as
 35 follows:

36	Tax Year	Applicable Percentage
37	1998	10%
38	1999	20%
39	2000	30%
40	2001	40%
41	2002	50%
42	2003	60%
43	2004	70%

1	2005	80%
2	2006	90%
3	2007 and thereafter	100%

4 In the computation of the gross premiums all such companies shall be
5 entitled to deduct any premiums returned on account of cancellations, all
6 premiums received for reinsurance from any other company authorized
7 to do business in this state, and dividends returned to policyholders.

E

8
9 *Fraternal benefit societies organized under the laws*
10 *of any other state, territory or country:*

11	Admission fees:	
12	Examination of charter and other documents	\$500
13	Filing annual statement	100
14	Certificate of authority.....	10
15	Annual fees:	
16	Filing annual statement	100
17	Continuation of certificate of authority	10

F

18
19 *Mutual nonprofit hospital service corporations, nonprofit medical service corporations, non-*
20 *profit dental service corporations, nonprofit optometric service corporations and non-*
21 *profit pharmacy service corporations organized under the laws of any other state, ter-*
22 *ritory or country:*

23	1. Mutual nonprofit hospital service corporations:	
24	Admission fees:	
25	Examination of charter and other documents	\$500
26	Filing annual statement	100
27	Certificate of authority.....	10
28	Annual fees:	
29	Filing annual statement	100
30	Continuation of certificate of authority	10
31	2. Nonprofit medical service corporations, nonprofit dental service corporations, nonprofit	
32	optometric service corporations and nonprofit pharmacy service corporations:	
33	Admission fees:	
34	Examination of charter and other documents	\$500
35	Filing annual statement	100
36	Certificate of authority.....	10
37	Annual fees:	
38	Filing annual statement	100
39	Continuation of certificate of authority	10

40 In addition to the above fees and as a condition precedent to the con-
41 tinuation of the certificate of authority, provided in this code, every cor-
42 poration or association shall pay annually to the commissioner of insur-
43 ance a tax in an amount equal to 2% per annum of the total of all

1 premiums, subscription charges, or any other term which may be used to
2 describe the charges made by such corporation or association to subscrib-
3 ers in this state for hospital, medical or other health services or indemnity
4 received during the preceding year, *except that for tax year 2003 and all*
5 *tax years thereafter no such tax shall be paid on premiums or charges*
6 *received by a corporation or association for hospital, medical or health*
7 *services or indemnity.* In such computations all such corporations or as-
8 sociations shall be entitled to deduct any premiums or subscription
9 charges returned on account of cancellations and dividends returned to
10 members or subscribers.

G

Payment of Taxes.

13 For the purpose of insuring the collection of the tax upon premiums,
14 assessments and charges as set out in subsection A, C, D or F, every
15 insurance company, corporation or association shall at the time it files its
16 annual statement, as required by the provisions of K.S.A. 40-225, and
17 amendments thereto, make a return, verified by affidavits of its president
18 and secretary or other chief officers, to the commissioner of insurance,
19 stating the amount of all premiums, assessments and charges received by
20 the companies or corporations in this state, whether in cash or notes,
21 during the year ending on the December 31 next preceding.

22 Commencing in 1985 and annually thereafter the estimated taxes shall
23 be paid as follows: On or before June 15 and December 15 of such year
24 an amount equal to 50% of the full amount of the prior year's taxes as
25 reported by the company shall be remitted to the commissioner of in-
26 surance. As used in this paragraph, "prior year's taxes" includes (1) taxes
27 assessed pursuant to this section for the prior calendar year, (2) fees and
28 taxes assessed pursuant to K.S.A. 40-253, and amendments thereto, for
29 the prior calendar year, and (3) taxes paid for maintenance of the de-
30 partment of the state fire marshal pursuant to K.S.A. 75-1508, and
31 amendments thereto, for the prior calendar year.

32 Upon the receipt of such returns the commissioner of insurance shall
33 verify the same and assess the taxes upon such companies, corporations
34 or associations on the basis and at the rate provided herein and the bal-
35 ance of such taxes shall thereupon become due and payable giving credit
36 for amounts paid pursuant to the preceding paragraph, or the commis-
37 sioner shall make a refund if the taxes paid in the prior June and Decem-
38 ber are in excess of the taxes assessed.

H

40 The fee prescribed for the examination of charters and other docu-
41 ments shall apply to each company's initial application for admission and
42 shall not be refundable for any reason.

43 Sec. 2. K.S.A. 40-252 is hereby repealed.

1 Sec. 3. This act shall take effect and be in force from and after its
2 publication in the statute book.
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