BASIC PROVISIONS AND TAX BASE OF THE NEBRASKA INSURANCE PREMIUM TAX LAWS

Each insurance company organized as a stock, mutual, assessment, or reciprocal insurer and every non-profit hospital service corporation, except fraternal benefit societies, which transact business in Nebraska are required to pay a tax to the Director of Insurance, on or before March 1 of each year, in lieu of any other intangible property tax, of one percent of the gross amount of direct written premiums received by it during the preceding calendar year for business done in this state, except that (1) for group sickness and accident insurance, the rate of such tax is five-tenths of one percent, and (2) for property and casualty insurance, excluding individual sickness and accident insurance, the rate is one percent.

The taxable premiums include premiums paid on the lives of persons residing in Nebraska and premiums paid for risks located in this state whether or not the insurance was written in this state. When insurance is written on a group of more than 500 lives, the taxable premium includes that portion of the premium paid for insurance on Nebraska residents or risks located in Nebraska. The tax also applies to premiums received by domestic companies for insurance written on individuals residing outside Nebraska or risks located outside this state if no comparable tax is paid by the direct writing domestic company to any other appropriate taxing authority.

The Director of Insurance is required to transmit 50% of the taxes paid to the Insurance Tax Fund, 40% to the General Fund, and 10% to the Mutual Assistance Finance Fund promptly upon completion of an audit and examination of the tax returns submitted by the insurers, but in no event later than May 1 of each year. Commencing with the taxable year ending December 31, 2001, all premium and retaliatory taxes paid by insurers writing health insurance in this state shall be remitted to the Comprehensive Health Insurance Pool Distributive fund in lieu of transmitting 50% of the taxes paid to the Insurance Tax Fund, 40% to the General Fund, and 10% to the Mutual Finance Assistance Fund.

In 1998, legislation was enacted (LB 1120) which required 10% of the premium taxes collected to be transferred to the Mutual Finance Assistance Fund. This fund shall be used to provide assistance to rural or suburban fire protection districts and mutual finance organizations which qualify under the Mutual Finance Assistance Act. For tax year 1999, $3,870,555 was allocated to this fund which would have gone to the General Fund prior to the enactment of this legislation.

The Statutes direct the State Treasurer to disburse all of the funds in the Insurance Tax Fund prior to June 1 of each year as follows:

Ten percent of the total to the counties proportionately in the proportion that the population of each county bears to the entire state, as shown by the latest United States Government census;

Thirty percent of the total to the Municipal Equalization Fund; and

Sixty percent of the total to the State Department of Education for distribution to school districts as equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act as follows: the Commissioner of Education shall (a) include the amount certified by the State Treasurer pursuant to this section with the amount appropriated to the Tax Equity and Education Opportunities Fund for distribution in the ensuing school fiscal year, (b) include such amount in the state aid certified to each school district, and (c) distribute such fund as equalization aid under the provisions of the Act during the ensuing fiscal year.

An insurer whose annual tax for the preceding taxable year was $4,000 or more must make prepayments of its annual taxes on or before April 15, June 15, and September 15, of the current taxable year. The amount of each such prepayment must be at least one-fourth of either (1) the total tax paid for the immediately preceding taxable year, or (2) eighty percent of the actual tax due for the current taxable year.

The Director is required to deposit one-half of the prepayments received in the Premium and Retaliatory Tax Suspense Fund and the other half in the General Fund. On May 1 of each year, the Director is required to transfer all of the interest earned on the prepayments deposited in the Premium and Retaliatory Tax Suspense Fund to the General Fund and the balance of the prepayments in the Premium and Retaliatory Tax Suspense Fund to the Insurance Tax Fund. Commencing with the taxable year ending December 31, 2001, all prepayments paid by insurers writing health insurance in this state shall be remitted to the Comprehensive Health Insurance Pool Distributive Fund in lieu of transmitting one-half of the taxes paid to the Premium and Retaliatory Tax Suspense Fund and one-half to the General Fund.

The Director of Insurance is authorized to impose retaliatory taxes, licenses, and other fees upon insurance from other states or countries which tax Nebraska insurers at a higher level than the tax rate currently imposed in the State of Nebraska. The retaliatory taxes are transmitted and deposited in the same manner as the insurance premium tax. The licenses and fees are deposited by the State Treasurer in the Department of Insurance Cash Fund to be appropriated and expended for the supervision, control, and regulation of the business of insurance in Nebraska.

In 1993, legislation was enacted (LB757) which created two new taxes on the gross amount of direct written workers' compensation insurance premiums received by the company. The first is a one percent tax, the proceeds of which are transmitted by the Director o f Insurance to the State Treasurer for credit to the Compensation Court Cash Fund. The second is a tax of one-fourth of one percent, which is transmitted by the Director of Insurance to the State Treasurer for credit to the Workplace Safety Consultation Program Cash Fund. LB 757 provides that this second tax be imposed for Workers' Compensation business transacted in this state during the 1993 through 1995 calendar years only. For tax year 1999, $1,852,152 was allocated to this fund which would have gone to the General Fund, Mutual Assistance Finance Fund, counties, municipalities, and school districts prior to the enactment of this legislation.

INSURANCE PREMIUM TAX

Statutory Reference and Description		Actual Tax Expenditure Cost NA = Not Available

EXEMPTIONS

Statutory Reference and Description		Actual Tax Expenditure Cost
Section 77-907		
Premiums on all annuity contracts and pension, profit sharing, individually sponsored retirement plans, and other pension plan contracts which are described in Section 818(a) of the Internal Revenue Code of 1986, as amended, shall be exempt from taxation.	Domestic:	$1,172,662
	Foreign:	$5,846,182
Section 77-907 (other than annuities)	Domestic:	-0-
Premiums for pensions, profit sharing, individually sponsored retirement plans, and other pension plan contracts which are described in Section 818(a) of the Internal Revenue Code of 1954, as amended.	Foreign:	$645,401
Section 77-908		
Fraternal beneficiary associations	Domestic:	$21,112
On gross premium written:	Foreign:	$1,054,719
If dividend deduction were allowed:	Domestic:	$15,008
	Foreign:	$1,013,624

DEDUCTIONS

Statutory Reference and Description		Actual Tax Expenditure Cost
Section 44-2407(1)(d) and Section 44-2716(2)		
Contributions to the Nebraska Property and Liability Insurance Guaranty Association and Life and Health Insurance Guaranty Association.	Domestic:	$650,833
	Foreign:	$3,021,509
Section 77-908		
Companies whose scheme of operation contemplates the return of a portion of premiums to policyholders, without such policyholders being claimants under the terms of their policies.	Domestic:	$54,935
	Foreign:	$494,621
Section 77-908		
Credit for contributions to Community Development Assistance Act.	Domestic:	$200
	Foreign:	$20,000
Section 44-4233		
Contributions to the Comprehensive Health Insurance Pool.	Domestic:	$11,245,524
	Foreign:	$7,955,762

INSURANCE PREMIUM TAX RECOMMENDATIONS

The Nebraska Department of Insurance has no recommendations.