

Section K — Insurance Premium Tax

Basic Provisions and Tax Base

Each insurance company organized as a stock, mutual, assessment, or reciprocal insurer, and every nonprofit hospital service corporation (except fraternal benefit societies) which transacts business in Nebraska is required to pay a tax to the Director of Insurance (Director), on or before March 1 of each year, in lieu of any other intangible property tax, of 1% of the gross amount of direct written premiums received by it during the preceding calendar year for business done in Nebraska; except that (1) for group sickness and accident insurance, the rate of tax is 0.5%; and (2) for property and casualty insurance, excluding individual sickness and accident insurance, the rate is 1%. A captive insurer authorized under the Captive Insurers Act that is transacting business in Nebraska is required to pay a tax to the Director, on or before March 1 of each year, of .25% of the gross amount of direct writing premiums received by it during the preceding calendar year for business done in Nebraska.

The taxable premiums include premiums paid on the lives of persons residing in Nebraska and premiums paid for risks located in Nebraska, whether or not the insurance was written in Nebraska. When insurance is written on a group which exceeds 500 lives, the taxable premium includes the 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 Nebraska if no comparable tax is paid by the direct writing domestic company to any other appropriate taxing authority.

Insurance companies whose plan of operation contemplates the return of a portion of premiums to policyholders, without the policyholders being claimants of the term of their policies, may deduct the returned premiums or dividends from their gross premiums for the purpose of calculating premium tax liability.

The Director is required to transmit 50% of the taxes paid to the Insurance Tax Fund, 40% to the General Fund, and 10% to the Mutual Finance Assistance 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.

All premium and retaliatory taxes paid by insurers writing health insurance in Nebraska are 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. For tax year 2015, \$45,890,164 was allocated to the Comprehensive Health Insurance Pool Fund.

The Director is required to transmit 10% of the premium taxes collected to the Mutual Finance Assistance Fund. This fund is 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 2015, \$3,779,522 was allocated to this fund which would have gone to the General Fund prior to the enactment of this legislation. Nebraska law directs the State Treasurer to disburse all of the funds in the Insurance Tax Fund prior to June 1 of each year as follows:

- 10% 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 U.S. census;
- 30% of the total to the Municipal Equalization Fund; and
- 60% 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.

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 prepayment must be at least one-fourth of either (1) the total tax paid for the immediately preceding taxable year, or (2) 80% of the actual tax due for the current taxable year.

The Director is required to deposit one-half of the prepayments received into the Premium and Retaliatory Tax Suspense Fund and the other half into the General Fund. 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 is required to collect from insurers and transmit to the State Treasurer, for credit to the Workers' Compensation Court Cash Fund, a tax of 1% on the gross amount of direct workers' compensation insurance premiums received by an insurance company. For tax year 2015, \$4,028,734 was allocated to the Workers' Compensation Court Cash Fund. The Director is also required to collect from insurers and risk management pools and transmit to the State Treasurer, for credit to the Workers' Compensation Trust Fund, a tax on the amount of workers' compensation benefits paid by each insurer during the preceding calendar year. For the tax year 2015, \$-0- was allocated to the Workers' Compensation Trust Fund; tax was not assessed because the trust balance was in excess of the statutory amount required.

An insurer may offset against its premium and retaliatory tax liability to Nebraska, with respect to business transacted in each year, an amount equal to 20% of the face amount of contributions made to the Nebraska Life and Health Insurance Guaranty Association and the Nebraska Property and Liability Insurance Guaranty Association.

Statutory Reference and Description	Actual Tax Expenditure Cost (NA = Not Available)	
	Domestic	Foreign
Exemptions		
Section 77-907 Premiums on all annuity contracts written by insurance companies.	\$2,757,482	\$13,085,366
Section 77-907 (other than annuities) Premiums for pensions, profit sharing, individually sponsored retirement plans, and other pension plan contracts which are described in the IRC of 1986 § 818(a), as amended.	\$552,715	\$3,529,960
Section 77-908¹ Fraternal beneficiary associations:		
On gross life and A&H premiums written; or If dividend deduction were allowed.	\$25,691 \$24,903	\$1,188,774 \$1,177,895
On gross annuity contract premiums written; or If dividend deduction were allowed.	\$17,641 \$17,641	\$1,025,273 \$1,024,470

¹This amount reflects the calculated tax impact figure. The figure is based on premium/revenue.

Deductions

Sections 44-2407(1)(d) and 44-2716(2) Contributions to the Nebraska Property and Liability Insurance Guaranty Association, and Life and Health Insurance Guaranty Association.	\$348,429	\$1,220,383
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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.	\$49,967 ²	\$450,665 ²
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Section 77-908

Credit for contributions to Community Development Assistance Act.	\$0	\$0
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²This amount reflects the calculated tax impact figure. The figure is based on both revenues and deductions claimed.

	Domestic	Foreign
Section <u>77-1101 to 77-1119</u>		
Credit for the New Market Job Growth Investment Act.	\$1,333,332	\$7,551,931
Section <u>77-2901 to 77-2912</u>		
Nebraska Job Creation and Mainstreet Revitalization Act.	\$0	\$0