



Insurance Premium Tax



48.14.020(1) - Title insurance

Description Title insurance companies are exempt from the 2.0 percent insurance premiums tax. However, they do pay B&O tax under the 0.471 percent retailing classification and collect retail sales tax from their customers.

Purpose To reflect the fact that title insurance is subject to retail sales tax.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$6.500	\$6.700	\$7.000	\$7.300
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenue. However, there would be a net reduction in tax revenues by switching the activity to the insurance premiums tax.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$6.200	\$7.000	\$7.300
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Tax base (premiums) growth of 4 percent a year.
- The activity will also be subject to the B&O tax and retail sales tax.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1947
Primary Beneficiaries:	Title insurance companies
Taxpayer Count:	12
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2010

48.14.020(4) - Ocean marine insurance

Description Ocean marine and foreign trade insurers receive:

- (1) A preferential insurance premiums tax rate of 0.95 percent, and
- (2) A deduction for losses.

Other domestic and foreign insurers pay a 2.0 percent insurance premiums tax with no deduction for losses.

Purpose To support ocean marine commerce.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$2.000	\$2.000	\$2.000	\$2.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$1.800	\$2.000	\$2.000
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- On average, loss is 70 percent of premiums.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1947
Primary Beneficiaries:	Companies that provide ocean marine and foreign trade insurance
Taxpayer Count:	50
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009

48.14.0201(6a) - Medicare receipts

Description Health maintenance organizations and health care service contractors are exempt from the insurance premiums tax on Medicare payments received from the federal government.

Purpose Reduces the cost of providing health care for Medicare patients.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$78.835	\$82.666	\$86.683	\$90.895
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$75.777	\$86.683	\$90.895
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

July 1, 2016 effective date, with 11 months of collections in Fiscal Year 2017

Data Sources

Washington State Office of Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health maintenance organizations and health care service contractors that provide coverage for Medicare patients
Taxpayer Count:	27
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

48.14.0201(6b) - Washington Basic Health Care receipts

Description Medical care receipts as provided in RCW 74.09.035 and Basic Health Care premiums are exempt from the insurance premiums tax.

Purpose To avoid taxing receipts from state sources.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$1.964	\$1.964	\$1.964	\$1.964
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$1.800	\$1.964	\$1.964
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date

Data Sources Washington State Office of Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health care service contractors
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

48.14.0201(6c) - Dentistry prepayments

Description Health service contractors and health maintenance organizations are exempt from the insurance premiums tax for amounts received for dental coverage.

Amounts paid for insurance coverage for pediatric oral services are subject to the premiums tax if the services are:

- Offered by a health service contractor or health maintenance organization, and
- Qualify as coverage for the minimum essential coverage requirement under the Patient Protection and Affordable Care Act.

Purpose To reduce the cost of providing dental coverage.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$11.977	\$11.977	\$11.977	\$11.977
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenues.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$10.979	\$11.977	\$11.977
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date

Data Sources

Washington State Office of Insurance Commissioner

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1993
Primary Beneficiaries:	Health care service contractors
Taxpayer Count:	10
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2013

48.14.021; 48.14.020 - Pensions, annuities, profit-sharing plans

Description Premiums received from policies or contracts issued in connection with a pension, annuity, or profit-sharing plan which is qualified under the Internal Revenue Code are exempt from insurance premiums tax. Most of the revenue impact is associated with annuities; insurance companies receive little income related to pensions or profit-sharing plans.

Purpose To support pensions, annuities and profit-sharing plans.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$82.800	\$82.800	\$82.800	\$82.800
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$75.900	\$82.800	\$82.800
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Average annual revenue of \$4.1 billion.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Tax base
Year Enacted:	1963
Primary Beneficiaries:	Insurance companies with these products
Taxpayer Count:	300
Program Inconsistency:	None evident
JLARC Review:	Unable to find on JLARC review schedule

48.14.022 - Health insurance by Washington State Pool

Description Carriers that receive premiums and prepayments from plan enrollees for health coverage provided under the Washington State Health Insurance Pool pursuant to Chapter 48.41 RCW are exempt from insurance premiums tax on those amounts. In addition, carriers, health care service contractors and HMOs may deduct assessments paid to the Washington State Health Insurance Pool from their taxable premiums. Any unused portion of the deduction can be carried forward and used in successive years until the deduction is exhausted.

Purpose To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered high risk.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.800	\$0.800	\$0.800	\$0.800
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenue. However, this could cause insurers to pass the amount of the assessment on to their regular policy holders and thereby make health insurance more expensive for the general population.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$0.700	\$0.800	\$0.800
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Total assessments will average \$40 million a year.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Health Insurance Pool

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1987
Primary Beneficiaries:	Persons with coverage under the Health Insurance Coverage Access Act
Taxpayer Count:	Unknown
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2012

48.32.145; 48.32A.125 - Insurance guarantee association assessments

Description Property, casualty, life and disability insurers may claim a credit against their insurance premiums tax for assessments made by the Washington Insurance Guarantee Association to pay covered claims of insolvent insurers. Credit may be taken over a five-year period.

Purpose To ensure payment of claims against insolvent insurance companies and that the cost is not borne by the policyholders of the surviving companies.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.480	\$0.480	\$0.480	\$0.480
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$0.480	\$0.480	\$0.480
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Assumes average minimum impact of \$480,000 per year.
- Full impact is unpredictable and unknown.

Data Sources

- Office of the Insurance Commissioner
- Joint Legislative Audit and Review Committee

Additional Information

Additional Information	
Category:	Business
Year Enacted:	1976
Primary Beneficiaries:	Insurance companies
Taxpayer Count:	1,000
Program Inconsistency:	The state does not normally become involved in payment of debts of private businesses
JLARC Review:	JLARC completed a full review in 2012

48.36A.240 - Fraternal benefit societies

Description Fraternal benefit societies governed by Chapter 48.36A RCW are exempt from all state and local taxation, other than taxes on real estate and office equipment. As a result, fraternal benefit societies are exempt from insurance premiums tax on policies they provide for their members.

Purpose To support the programs of fraternal benefit societies.

Taxpayer savings

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$4.200	\$4.300	\$4.500	\$4.600
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Repeal of exemption

Repealing this exemption would increase revenue.

Potential revenue gains from full repeal

(\$ in millions):

	FY 2016	FY 2017	FY 2018	FY 2019
State Taxes	\$0.000	\$4.000	\$4.500	\$4.600
Local Taxes	\$0.000	\$0.000	\$0.000	\$0.000

Assumptions

- Tax base (premiums) growth of 3.5 percent a year.
- Premiums from all lines of insurance taxed.
- Eleven months of collections in Fiscal Year 2017 due to July 1, 2016 effective date.

Data Sources

Washington State Office of the Insurance Commissioner

Additional Information

Additional Information	
Category:	Nonprofit
Year Enacted:	1947
Primary Beneficiaries:	Fraternal benefit societies
Taxpayer Count:	22
Program Inconsistency:	None evident
JLARC Review:	JLARC completed a full review in 2009