



129th MAINE LEGISLATURE

FIRST REGULAR SESSION-2019

Legislative Document

No. 625

H.P. 453

House of Representatives, February 5, 2019

An Act To Phase Out the Insurance Premium Tax on Annuities

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative STANLEY of Medway.
Cosponsored by Senator DOW of Lincoln and
Representatives: BICKFORD of Auburn, CAMPBELL of Orrington, MAREAN of Hollis,
NADEAU of Winslow, VEROW of Brewer.

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 36 MRSA §2513, first ¶**, as amended by PL 2011, c. 331, §12 and
3 affected by §§16 and 17, is further amended to read:

4 ~~Every~~ Except as provided in section 2513-C, every insurance company or association
5 that does business or collects premiums or assessments including annuity considerations
6 in the State, including surety companies and companies engaged in the business of credit
7 insurance or title insurance, shall, for the privilege of doing business in this State and in
8 addition to any other taxes imposed for that privilege, pay a tax upon all gross direct
9 premiums including annuity considerations, whether in cash or otherwise, on contracts
10 written on risks located or resident in the State for insurance of life, annuity, fire, casualty
11 and other risks at the rate of 2% a year. Every nonadmitted insurer that does business or
12 collects premiums in the State shall, for the privilege of doing business in this State and
13 in addition to any other taxes imposed for that privilege, pay a tax upon all gross direct
14 premiums, whether in cash or otherwise, as provided in section 2531. For purposes of
15 ~~this section~~ chapter, the term "annuity considerations" includes amounts paid to an
16 insurance company for the purchase of a contract that may result in an annuity, even if
17 the annuitization never occurs or does not occur until some time in the future and the
18 amounts are in the meantime applied to an investment vehicle other than an annuity. This
19 section does not apply to mutual fire insurance companies subject to tax under section
20 2517 or to captive insurance companies formed or licensed under Title 24-A, chapter 83
21 or under the laws of another state.

22 **Sec. 2. 36 MRSA §2513-C** is enacted to read:

23 **§2513-C. Tax on annuity considerations**

24 **1. Phase-out of tax.** Notwithstanding the other provisions of this chapter, the rate of
25 tax under this chapter for annuity considerations is 1.5% in calendar year 2020, 1% in
26 calendar year 2021 and 0.5% in calendar year 2022. Beginning in calendar year 2023,
27 annuity considerations are not subject to tax under this chapter, but taxes due for previous
28 years may be collected.

29 **2. Application of reduced rate on annuities.** The reduced rates specified in
30 subsection 1 for calendar years 2020, 2021 and 2022 apply to premiums on an annuity
31 paid by annuity holders in this State only if the tax savings from the reduced rate are
32 credited to the annuity holders. Upon request of the bureau, an insurer shall submit
33 evidence that establishes that the tax savings derived from the reduced rate under this
34 section have been credited to the annuity holders.

35 **Sec. 3. 36 MRSA §2515**, as amended by PL 2013, c. 331, Pt. C, §11, is further
36 amended to read:

37 **§2515. Amount of tax**

38 In determining the amount of tax due under sections 2513 and 2531, each company
39 shall deduct from the full amount of gross direct premiums the amount of all direct return
40 premiums on the gross direct premiums and all dividends paid to policyholders on direct

1 premiums, and the tax must be computed by those companies or their agents. Except
2 when direct return premiums are returned in the same tax year that the premium was paid,
3 the deduction allowed in this section may be taken only if the tax under this Part has been
4 paid. For tax periods beginning on or after January 1, 2020, the deductions under this
5 section related to annuity considerations may be deducted only from annuity
6 considerations.

7

SUMMARY

8 This bill phases out the insurance premium tax on annuity considerations over 4 years
9 beginning in 2020. During the phase-out period, the prescribed rate applies only if the
10 insurer credits the savings from the rate reductions to annuity holders. The bill also
11 specifies that certain deductions related to annuities may be deducted from annuity
12 considerations for tax periods beginning on or after January 1, 2020.