

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

CHAPTER 153
HOUSE BILL 2069

AN ACT

AMENDING SECTIONS 20-224, 20-225, 36-2905 AND 36-2944.01, ARIZONA REVISED
STATUTES; RELATING TO INSURANCE TAX PAYMENTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-224, Arizona Revised Statutes, is amended to
3 read:

4 20-224. Premium tax; reports

5 A. On or before March 1 of each year, each authorized domestic
6 insurer, each other insurer and each formerly authorized insurer referred
7 to in section 20-206, subsection B shall file with the director a report
8 in a form prescribed by the director showing total direct premium income
9 including policy membership and other fees and all other considerations
10 for insurance from all classes of business whether designated as a premium
11 or otherwise received by it during the preceding calendar year on account
12 of policies and contracts covering property, subjects or risks located,
13 resident or to be performed in this state, after deducting from such total
14 direct premium income applicable cancellations, returned premiums, the
15 amount of reduction in or refund of premiums allowed to industrial life
16 policyholders for payment of premiums direct to an office of the insurer
17 and all policy dividends, refunds, savings coupons and other similar
18 returns paid or credited to policyholders within this state and not
19 reapplied as premiums for new, additional or extended insurance. No
20 deduction shall be made of the cash surrender values of policies or
21 contracts. Considerations received on annuity contracts, as well as the
22 unabsorbed portion of any premium deposit, shall not be included in total
23 direct premium income, and neither shall be subject to tax. The report
24 shall separately indicate the total direct fire insurance premium income
25 received from property located in the incorporated cities and towns
26 certified by the state fire marshal pursuant to section 9-951, subsection
27 B, as procuring the services of a private fire company.

28 B. Coincident with the filing of ~~such~~ THE tax report, each insurer
29 shall pay to the director for deposit, pursuant to sections 35-146 and
30 35-147, a tax on such net premiums at the following rates:

31 1. For fire insurance:

32 (a) On property located in a city or town certified by the state
33 fire marshal pursuant to section 9-951, subsection B, as procuring the
34 services of a private fire company, .66 percent.

35 (b) On all other property, 2.2 percent.

36 2. For disability insurance, 2.0 percent.

37 3. For health care service plans, the rates prescribed under
38 sections 20-837, 20-1010 and 20-1060.

39 4. For other insurance:

40 (a) For premiums received in calendar year 2016, 1.95 percent.

41 (b) For premiums received in calendar year 2017, 1.90 percent.

42 (c) For premiums received in calendar year 2018, 1.85 percent.

43 (d) For premiums received in calendar year 2019, 1.80 percent.

44 (e) For premiums received in calendar year 2020, 1.75 percent.

1 (f) For premiums received in calendar year 2021 and for each
2 subsequent calendar year, 1.70 percent.

3 C. Any payments of tax pursuant to subsection F of this section
4 shall be deducted from the tax payable pursuant to subsection B of this
5 section. Each insurer shall reflect the cost savings attributable to the
6 lower tax in fire insurance premiums charged on property located in an
7 incorporated city or town certified by the state fire marshal pursuant to
8 section 9-951, subsection B, as procuring the services of a private fire
9 company. No insurer shall be liable to the state or to any other person,
10 or shall be subject to regulatory action, relating to the calculation or
11 submittal of fire insurance premium taxes based in good faith on the state
12 fire marshal's certification.

13 D. Eighty-five percent of the tax paid under this section by an
14 insurer on account of premiums received for fire insurance shall be
15 separately specified in the report and shall be apportioned in the manner
16 provided by sections 9-951, 9-952 and 9-972, except that all of the tax so
17 allocated to a fund of a municipality or fire district that has no
18 volunteer firefighters or pension obligations to volunteer firefighters
19 shall be appropriated to the account of the municipality or fire district
20 in the public safety personnel retirement system and all of the tax so
21 allocated to a fund of a municipality or fire district that has both
22 full-time paid firefighters and volunteer firefighters or pension
23 obligations to full-time paid firefighters or volunteer firefighters shall
24 be appropriated to the account of the municipality or fire district in the
25 public safety personnel retirement system where it shall be reallocated by
26 actuarial procedures proportionately to the municipality or fire district
27 for the account of the full-time paid firefighters and to the municipality
28 or fire district for the account of the volunteer firefighters. A
29 municipality or fire district shall provide to the public safety personnel
30 retirement system all information that the system deems necessary to
31 perform the reallocation prescribed by this section. A full accounting of
32 ~~such~~ THE reallocation shall be forwarded to the municipality or fire
33 district and ~~their~~ ITS local boards.

34 E. This section shall not apply to title insurance, and such
35 insurers shall be taxed as provided in section 20-1566.

36 F. Any insurer that paid or is required to pay a tax of ~~two~~ FIFTY
37 thousand dollars or more on net premiums received during the preceding
38 calendar year, pursuant to subsection B of this section and sections
39 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07, shall file on or
40 before the fifteenth day of each month from March through August a report
41 for that month, on a form prescribed by the director, accompanied by a
42 payment in an amount equal to fifteen percent of the amount paid or
43 required to be paid during the preceding calendar year pursuant to
44 subsection B of this section and sections 20-224.01, 20-837, 20-1010,
45 20-1060 and 20-1097.07. The payments are due and payable on or before the

1 fifteenth day of each month and shall be made to the director for deposit,
2 pursuant to sections 35-146 and 35-147.

3 G. Except for the tax paid on fire insurance premiums pursuant to
4 subsections B and D of this section, an insurer may claim a premium tax
5 credit if the insurer qualifies for a credit pursuant to section
6 20-224.03, 20-224.04, 20-224.06 or 20-224.07.

7 H. On receipt of a properly documented claim, a refund shall be
8 provided to an insurer from available funds for the excess amount of any
9 fire insurance premium improperly paid by the insurer. The insurer shall
10 reflect the refund in the fire insurance premiums charged on the property
11 that was charged the excessive amount.

12 I. On or before September 30 of each year, the director of
13 insurance shall report to the directors of the joint legislative budget
14 committee and the governor's office of strategic planning and budgeting on
15 the amount of insurance premium tax credits established by sections
16 20-224.03, 20-224.04, 20-224.05, 20-224.06 and 20-224.07 that were used
17 during the previous fiscal year.

18 J. For the purposes of:

19 1. Subsection B of this section, fire insurance is one hundred
20 percent of fire lines, forty percent of commercial multiple peril
21 nonliability lines, thirty-five percent of homeowners' multiple peril
22 lines, twenty-five percent of farm owners' multiple peril lines and twenty
23 percent of allied lines.

24 2. Section 20-416, fire insurance is eighty-five percent of fire
25 and allied lines.

26 K. FROM AND AFTER DECEMBER 31, 2017, THE DIRECTOR MAY REQUIRE THAT
27 REPORTS AND PAYMENTS UNDER THIS SECTION BE SUBMITTED ELECTRONICALLY. IF
28 THE DIRECTOR REQUIRES ELECTRONIC SUBMISSION, THE DIRECTOR SHALL INCLUDE ON
29 THE DEPARTMENT'S OFFICIAL WEBSITE A LIST OF ONE OR MORE ACCEPTABLE
30 THIRD-PARTY SERVICES THROUGH WHICH AN INSURER MUST SUBMIT REPORTS AND
31 PAYMENTS.

32 Sec. 2. Section 20-225, Arizona Revised Statutes, is amended to
33 read:

34 20-225. Failure to pay tax; penalty; exception

35 A. Any insurer failing to pay the tax prescribed by sections
36 20-224, 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07 is subject to a
37 civil penalty ~~equal to~~ NOT TO EXCEED the greater of twenty-five dollars or
38 five ~~per cent~~ PERCENT of the amount due plus interest at the rate of one
39 ~~per cent~~ PERCENT per month from the date the tax was due.

40 B. The director may refuse to renew the certificate of authority of
41 any insurer failing to pay ~~such~~ THE tax on or before the date it is due.
42 The director shall revoke the certificate of authority of any insurer
43 failing to pay ~~such~~ THE tax for more than thirty days after it was due.

44 C. IF THE DIRECTOR REQUIRES THE TAX TO BE PAID ELECTRONICALLY
45 THROUGH A DESIGNATED THIRD-PARTY SERVICE PURSUANT TO SECTION 20-224,

1 SUBSECTION K, NO PENALTY ACCRUES WITH RESPECT TO ANY PAYMENT OF TAX OR
2 INTEREST THAT IS LATE DUE TO DELAYS CAUSED BY THE THIRD-PARTY SERVICE.

3 Sec. 3. Section 36-2905, Arizona Revised Statutes, is amended to
4 read:

5 36-2905. Removal of medicaid special exemption for payments
6 to contractors; civil penalty

7 A. Notwithstanding any other law, beginning on October 1, 2003,
8 each contractor shall pay to the director of ~~the department of~~ insurance a
9 tax equal to two ~~per cent~~ PERCENT of the total capitation, including
10 reinsurance, and any other reimbursement paid to the contractor by the
11 administration for persons eligible pursuant to section 36-2901, paragraph
12 6, subdivisions (a) and (g) and article 4 of this chapter. The tax shall
13 be paid in four payments pursuant to subsection C of this section and
14 deposited in the state general fund pursuant to sections 35-146 and
15 35-147.

16 B. The contractor shall not deduct any disallowance or penalty
17 imposed by the administration pursuant to this chapter from the financial
18 information submitted to the director of ~~the department of~~ insurance.

19 C. Each contractor shall file the estimated tax and documentation
20 with the director of ~~the department of~~ insurance on a form prescribed by
21 the director of ~~the department of~~ insurance to pay the estimated tax. A
22 contractor shall make estimated tax payments to the director of ~~the~~
23 ~~department of~~ insurance for deposit in the state general fund pursuant to
24 sections 35-146 and 35-147. The tax payments are due on or before
25 September 15, December 15, March 15 and June 15 of each year. The amount
26 of the payments shall be an estimate of the tax due for the quarter that
27 ends in the month that payment is due.

28 D. On or before April 1, 2004 and annually on or before April 1
29 thereafter, the director of ~~the department of~~ insurance shall use data
30 provided by the administration to reconcile the amount paid by each
31 contractor pursuant to this section with the actual amount of title XIX
32 and title XXI reimbursement made by the administration to the contractor
33 in the preceding calendar year. If there is a discrepancy in the two
34 amounts, the director of ~~the department of~~ insurance shall notify the
35 contractor of the difference, provide a notice of right of appeal and bill
36 the contractor for the unpaid amount of the premium tax or, if there is an
37 overpayment, the director of ~~the department of~~ insurance shall either
38 refund the amount of the overpayment to the contractor or issue a credit
39 for the amount of the overpayment that the contractor can apply against
40 future tax obligations prescribed by this section.

41 E. A contractor ~~who~~ THAT fails to file an estimated payment or pay
42 an unpaid premium tax as prescribed by this section is subject to a civil
43 penalty equal to the greater of twenty-five dollars or five ~~per cent~~
44 PERCENT of the amount due and is subject to interest on the amount due at

1 the rate of one ~~per cent~~ PERCENT per month from the date the amount was
2 due.

3 F. FROM AND AFTER DECEMBER 31, 2017, THE DIRECTOR OF INSURANCE MAY
4 REQUIRE THAT REPORTS AND PAYMENTS UNDER THIS SECTION BE SUBMITTED
5 ELECTRONICALLY. IF THE DIRECTOR REQUIRES ELECTRONIC SUBMISSION, THE
6 DIRECTOR SHALL INCLUDE ON THE DEPARTMENT OF INSURANCE'S OFFICIAL WEBSITE A
7 LIST OF ONE OR MORE ACCEPTABLE METHODS BY WHICH A CONTRACTOR MUST SUBMIT
8 REPORTS AND PAYMENTS.

9 Sec. 4. Section 36-2944.01, Arizona Revised Statutes, is amended to
10 read:

11 36-2944.01. Removal of medicaid special exemption for
12 payments to program contractors; civil penalty

13 A. Notwithstanding any other law, beginning on October 1, 2003,
14 each program contractor shall pay to the director of ~~the department of~~
15 insurance a tax equal to two ~~per cent~~ PERCENT of the total capitation,
16 including reinsurance, and any other reimbursement paid to the program
17 contractor by the administration for persons eligible pursuant to section
18 36-2931, paragraph 5. The tax shall be paid in four payments pursuant to
19 subsection C of this section and deposited in the state general fund
20 pursuant to sections 35-146 and 35-147.

21 B. The program contractor shall not deduct any disallowance or
22 penalty imposed by the administration pursuant to this chapter from the
23 financial information submitted to the director of ~~the department of~~
24 insurance.

25 C. Each program contractor shall file the estimated tax and
26 documentation with the director of ~~the department of~~ insurance on a form
27 prescribed by the director of ~~the department of~~ insurance. A program
28 contractor shall make estimated tax payments to the director of ~~the~~
29 ~~department of~~ insurance for deposit in the state general fund pursuant to
30 sections 35-146 and 35-147. The tax payments are due on or before
31 September 15, December 15, March 15 and June 15 of each year. The amount
32 of the payments shall be an estimate of the tax due for the quarter that
33 ends in the month that payment is due.

34 D. On or before April 1, 2004 and annually on or before April 1
35 thereafter, the director of ~~the department of~~ insurance shall use data
36 provided by the administration to reconcile the amount paid by each
37 program contractor pursuant to this section with the actual amount of
38 title XIX reimbursement made by the administration to the program
39 contractor in the preceding calendar year. If there is a discrepancy in
40 the two amounts, the director of ~~the department of~~ insurance shall notify
41 the program contractor of the difference, provide a notice of right of
42 appeal and bill the program contractor for the unpaid amount of the
43 premium tax or, if there is an overpayment, the director of ~~the department~~
44 ~~of~~ insurance shall either refund the amount of the overpayment to the
45 contractor or issue a credit for the amount of the overpayment that the

1 program contractor can apply against future tax obligations prescribed by
2 this section.

3 E. A contractor ~~who~~ THAT fails to file an estimated payment or pay
4 an unpaid premium tax as prescribed by this section is subject to a civil
5 penalty equal to the greater of twenty-five dollars or five ~~per cent~~
6 PERCENT of the amount due and is subject to interest on the amount due at
7 the rate of one ~~per cent~~ PERCENT per month from the date the amount was
8 due.

9 F. FROM AND AFTER DECEMBER 31, 2017, THE DIRECTOR OF INSURANCE MAY
10 REQUIRE THAT REPORTS AND PAYMENTS UNDER THIS SECTION BE SUBMITTED
11 ELECTRONICALLY. IF THE DIRECTOR REQUIRES ELECTRONIC SUBMISSION, THE
12 DIRECTOR SHALL INCLUDE ON THE DEPARTMENT OF INSURANCE'S OFFICIAL WEBSITE A
13 LIST OF ONE OR MORE ACCEPTABLE METHODS BY WHICH A CONTRACTOR MUST SUBMIT
14 REPORTS AND PAYMENTS.

15 Sec. 5. Effective date

16 This act is effective from and after December 31, 2017.

APPROVED BY THE GOVERNOR APRIL 17, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2017.