

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

HOUSE BILL 2002

AN ACT

AMENDING SECTION 20-224, ARIZONA REVISED STATUTES; RELATING TO INSURANCE
PREMIUM TAX RATES.

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

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

30 1. For fire insurance:

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

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

35 2. For disability insurance, 2.0 percent.

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

38 4. For other insurance:

39 (a) For premiums received in calendar year 2016, ~~1.99~~ 1.95 percent.

40 (b) For premiums received in calendar year 2017, ~~1.98~~ 1.90 percent.

41 (c) For premiums received in calendar year 2018, ~~1.95~~ 1.85 percent.

42 (d) For premiums received in calendar year 2019, ~~1.92~~ 1.80 percent.

43 (e) For premiums received in calendar year 2020, ~~1.89~~ 1.75 percent.

44 (f) For premiums received in calendar year 2021, ~~1.86 percent.~~

45 ~~(g) For premiums received in calendar year 2022, 1.83 percent.~~

1 ~~(h) For premiums received in calendar year 2023, 1.80 percent.~~
2 ~~(i) For premiums received in calendar year 2024, 1.77 percent.~~
3 ~~(j) For premiums received in calendar year 2025, 1.74 percent.~~
4 ~~(k) For premiums received in calendar year 2026, 1.70 percent~~ and for
5 each subsequent calendar year, 1.70 percent.

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

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

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

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

1 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments are due and
2 payable on or before the fifteenth day of each month and shall be made to the
3 director for deposit, pursuant to sections 35-146 and 35-147.

4 G. Except for the tax paid on fire insurance premiums pursuant to
5 subsections B and D of this section, an insurer may claim a premium tax
6 credit if the insurer qualifies for a credit pursuant to section 20-224.03,
7 20-224.04, 20-224.06 or 20-224.07.

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

13 I. On or before September 30 of each year, the director of insurance
14 shall report to the directors of the joint legislative budget committee and
15 the governor's office of strategic planning and budgeting on the amount of
16 insurance premium tax credits established by sections ~~20-224.02~~, 20-224.03,
17 20-224.04, 20-224.05, 20-224.06 and 20-224.07 that were used during the
18 previous fiscal year.

19 J. For the purposes of:

20 1. Subsection B of this section, fire insurance is one hundred percent
21 of fire lines, forty percent of commercial multiple peril **NONLIABILITY** lines,
22 thirty-five percent of homeowners' multiple peril lines, twenty-five percent
23 of **FARM OWNERS'** multiple peril lines and twenty percent of allied lines.

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