



127th MAINE LEGISLATURE

FIRST REGULAR SESSION-2015

Legislative Document

No. 644

S.P. 237

In Senate, March 3, 2015

An Act To Exempt Annuity Considerations from Tax

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST
Secretary of the Senate

Presented by Senator WHITTEMORE of Somerset.
Cosponsored by Representative O'CONNOR of Berwick and
Senators: BAKER of Sagadahoc, BURNS of Washington, COLLINS of York, CYRWAY of
Kennebec, DAVIS of Piscataquis, President THIBODEAU of Waldo, Representatives:
PICCHIOTTI of Fairfield, WALLACE of Dexter.

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

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

4 **§2513. Tax on premiums and annuity considerations**

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

22 ~~Notwithstanding this section, annuity considerations received in tax years ending~~
23 ~~prior to January 1, 1999 upon which no tax was paid in the year received must be taxed in~~
24 ~~the year in which an annuity is actually purchased.~~

25 Notwithstanding this section, for income tax years commencing on or after January 1,
26 1989, the tax imposed by this section upon all gross direct premiums collected or
27 contracted for on long-term care policies, as certified by the superintendent pursuant to
28 Title 24-A, section 5054, must be at the rate of 1% a year.

29 Notwithstanding this section, for tax years commencing on or after January 1, 1997,
30 the tax imposed by this section with respect to premiums on qualified group disability
31 policies written by every insurer, except a large domestic insurer, must be at the rate of
32 1% and must be at the rate of 2.55% with respect to those premiums written by every
33 large domestic insurer. For the purposes of this section, the term "qualified group
34 disability policies" is limited to group health insurance policies properly reported as such
35 in the insurer's annual statement and whose sole coverage is the full or partial
36 replacement of an individual's income in the event of disability. Policies that contain
37 coverages in addition to replacement of income coverage are considered to solely provide
38 that coverage as long as the premium related to the additional coverages is not more than
39 10% of the total premium charged. The term "qualified group disability policies" does
40 not include workers' compensation insurance policies, policies that include coverages that
41 are collectively renewable, policies that provide for credit disability insurance or policies
42 that pay benefits only upon the occurrence of hospitalization. For purposes of this

1 section, a "large domestic insurer" is any insurer domiciled in this State with assets in
2 excess of \$5,000,000,000 as reported on its annual statement.

3 Notwithstanding this section, for income tax years commencing in 2016 the tax
4 imposed by this section upon annuity considerations must be at a rate of 1.5%.

5 Notwithstanding this section, for income tax years commencing in 2017 the tax
6 imposed by this section upon annuity considerations must be at a rate of 1%.

7 Notwithstanding this section, for income tax years commencing in 2018 the tax
8 imposed by this section upon annuity considerations must be at a rate of 0.5%.

9 Notwithstanding this section, for income tax years commencing on or after January 1,
10 2019 annuity considerations are exempt from the tax imposed by this section.

11 **SUMMARY**

12 This bill phases out the tax imposed upon annuity considerations. The current tax of
13 2% is decreased by 0.5% each year beginning in 2016 until it is eliminated beginning
14 January 1, 2019.