
A BILL FOR AN ACT

RELATING TO THE INSURANCE PREMIUM TAX.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to impose, from July
2 1, 2009 to June 30, 2015, the insurance premium tax on mutual
3 benefit societies and health maintenance organizations. The tax
4 is imposed at a graduated, escalating tax rate.

5 This Act also establishes a medical workforce promotion,
6 health workforce education, or an indigent health care tax
7 credit that may be claimed against the tax.

8 SECTION 2. Chapter 431, Hawaii Revised Statutes, is
9 amended by adding a new section to article 7 to be appropriately
10 designated and to read as follows:

11 "§431:7- Medical workforce promotion, health workforce
12 education, or indigent health care program; insurance premium
13 tax credit. An insurer that offers health insurance plans
14 within the state may claim a medical workforce promotion, health
15 workforce education, or indigent health care program tax credit
16 against the tax imposed under section 431:7-202(a) on the gross
17 premiums written on such plans. The amount of the credit shall



1 equal the amount the insurer contributes in cash to a state
2 program that:

- 3 (1) Provides or pays for the increase or education of the
- 4 medical workforce or health workforce or provision of
- 5 health care to low-income individuals or families; and
- 6 (2) Has been approved by the insurance commissioner.

7 The credit shall not be refundable."

8 SECTION 3. Section 431:7-202, Hawaii Revised Statutes, is
9 amended by amending subsection (a) to read as follows:

10 "(a) (1) Each authorized insurer, except with respect to
11 all life insurance contracts, ocean marine insurance
12 contracts, and real property title insurance
13 contracts, shall pay to the director of finance
14 through the commissioner a tax [~~of 4.265 per cent~~] at
15 the pertinent rate prescribed in this paragraph on the
16 gross premiums written from all risks or property
17 resident, situated, or located within this [State]
18 state, during the year ending on the preceding
19 December 31, less return premiums (but not including
20 dividends paid or credited to policyholders), and less
21 any reinsurance accepted (the tax upon such business
22 being payable by the direct writing insurer). For the



1 purpose of this part, "authorized insurer" includes a
2 mutual benefit society and health maintenance
3 organization that offers a health care insurance plan
4 subject to chapter 432 or 432D, as applicable. The
5 rate of the tax shall be 4.265 per cent for each
6 authorized insurer; provided that for a mutual benefit
7 society or a health maintenance organization, the tax
8 rate shall be:

9 (A) 1.265 per cent for the period from July 1, 2009
10 to December 31, 2010;

11 (B) 2.265 per cent for the period from January 1,
12 2011 to December 31, 2011;

13 (C) 3.265 per cent for the period from January 1,
14 2012 to December 31, 2012; and

15 (D) 4.265 per cent for the period from January 1,
16 2013 to June 30, 2015.

17 (2) All premiums written, procured, or received in the
18 [State] state shall be presumed to have been from
19 risks or property resident, situated, or located
20 within the [State-] state. This presumption may be
21 rebutted as to any premium:



1 ~~[-(1)]~~ (A) By showing that it has been properly allocated or
2 apportioned and reported as a taxable premium of
3 another state or other appropriate taxing
4 authority; or

5 ~~[-(2)]~~ (B) By facts as to the residence, situation, or
6 location of the risks or property, conclusively
7 showing the nontaxability of the premium."

8 SECTION 4. Section 431:7-204, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§431:7-204 In lieu provision.** (a) As to insurers, the
11 taxes and fees imposed by section 431:7-201 to section
12 431:7-204, and the fees imposed by this code, when paid shall be
13 in settlement of and in lieu of all demands for taxes, licenses,
14 or fees of every character imposed by the laws of this State,
15 the ordinances or other laws, rules, or regulations of any
16 county of this State, except:

- 17 (1) As expressly otherwise provided;
- 18 (2) Taxes on real property;
- 19 (3) Taxes on the purchase, use, or ownership of tangible
20 personal property; and
- 21 (4) Taxes on gross income, gross proceeds, gross rental,
22 or gross rental proceeds under chapter 237 or 237D.

1 (b) In addition to subsection (a), as to mutual benefit
2 societies and nonprofit health maintenance organizations, it
3 shall be a matter of statewide concern under article VIII,
4 section 6, of the state constitution that the taxes imposed
5 under this part, when paid, shall be in settlement and in lieu
6 of all demands for real property taxes by a county.

7 (c) Nothing in this section shall be deemed to exempt
8 insurers from liability for withholding taxes payable by their
9 employees and paying the same to the proper collection officers,
10 or from keeping such records, and making such returns and
11 reports, as may be required in the case of other persons
12 enjoying tax exemption."

13 SECTION 5. Section 432:1-403, Hawaii Revised Statutes, is
14 amended to read as follows:

15 "**§432:1-403 Nonprofit medical, hospital indemnity**
16 **associations; tax exemption.** Every association or society
17 organized and operating under this article solely as a nonprofit
18 medical indemnity or hospital service association or society or
19 both shall be, from the time of such organization, exempt from
20 every state, county and municipal tax, except the unemployment
21 compensation tax[-] and insurance premium tax.



1 Nothing in this section shall be deemed to exempt the
2 association or society from liability to withhold the taxes
3 payable by its employees and to pay the same to the proper
4 collection officers, and to keep such records, and make such
5 returns and reports, as may be required in the case of other
6 corporations, associations or societies similarly exempted from
7 such taxes."

8 SECTION 6. Section 432D-19, Hawaii Revised Statutes, is
9 amended by amending subsection (d) to read as follows:

10 "(d) Article 2, article 7, part II, article 13, and
11 article 14G of chapter 431, and the power there granted to the
12 commissioner, shall apply to health maintenance organizations,
13 so long as the application in any particular case is in
14 compliance with and is not preempted by applicable federal
15 statutes and regulations."

16 SECTION 7. This Act shall expressly apply to mutual
17 benefit societies. This section is intended to fulfill the
18 requirement of section 432:1-101, Hawaii Revised Statutes,
19 regarding the applicability of any law enacted after July 1,
20 1988, to mutual benefit societies.

21 SECTION 8. (a) The insurance commissioner shall consider
22 whether the imposition of the insurance premium tax on mutual



1 benefit societies and health maintenance organizations by this
2 Act may cause their current managed care plan rates to become
3 inadequate. If so, the insurance commissioner shall use the
4 authority under section 431:14G-104, Hawaii Revised Statutes, to
5 determine whether the rates should be adjusted.

6 (b) Nothing in subsection (a) shall be construed to
7 prohibit a mutual benefit society or health maintenance
8 organization from submitting, on its own initiative, a rate
9 filing pursuant to chapter 431, article 14G, to reflect the
10 additional expense resulting from the insurance premium tax
11 liability.

12 SECTION 9. This Act does not affect rights and duties that
13 matured, penalties that were incurred, and proceedings that were
14 begun, before its effective date.

15 SECTION 10. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 11. This Act shall take effect on July 1, 2020,
18 and shall be repealed on June 30, 2026.



Report Title:

Insurance Premium Tax; Applicability to Mutual Benefit Societies and Health Maintenance Organizations

Description:

Makes the insurance premium tax applicable to mutual benefit societies and health maintenance organizations. Provides for a graduated, escalating tax rate. Establishes medical workforce promotion, health workforce education, or an indigent health care program tax credit. Authorizes the insurance commissioner to adjust any inadequate rates for the managed care plans of mutual benefit societies and health maintenance organizations. Sunsets provisions on June 30, 2026. (HB1749 HD1)

