MINNESOTA · REVENUE

GROSS PREMIUM TAX
Exempt Certain Group Life &
Accidental Death Insurance

March 19, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1894 (Moua) / H.F. 2164 (Hausman)

	Fund Impact			
	F.Y. 2008	**F.Y. 2009**	**F.Y. 2010**	**F.Y. 2011**
		(000's)		
General Fund	Unknown	Unknown	Unknown	Unknown

Effective for premiums received after December 31, 2006.

EXPLANATION OF THE BILL

Premiums received by a foreign insurance company would be exempt from the premiums tax if they are paid with respect to group life insurance or accidental death and dismemberment policies in a program set up the State of Minnesota for its employees, State Employee Group Insurance Program. The exemption applies if the foreign insurance company is domiciled in a state that exempts its state employee group life insurance program from premiums taxes.

Under insurance law, an insurance company is classified as alien, foreign or domestic. Alien insurance companies are organized under the laws of a foreign country. "Foreign" insurance companies are organized under the laws of a state besides Minnesota. Domestic insurance companies are organized under the laws of Minnesota.

REVENUE ANALYSIS DETAIL

- At the present time all premiums with respect to group life insurance or accidental death and dismemberment policies in a program set up the State of Minnesota for its employees are paid to a domestic insurance company. If this situation continues, the bill would not affect state revenues. It could affect the premiums tax that a Minnesota company pays to another state under retaliatory provisions.
- If the state contract is awarded to a foreign insurance company in the future, there would be a revenue cost. Also, the premiums may be paid to a foreign insurance company if the present carrier decides to organize itself under the law of another state, which may be triggered by the acquisition of the company. According to figures provided by Minnesota Life, if the state contract were awarded to a foreign company, it would reduce revenues between $300,000 and $400,000 per year.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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