

BILL ANALYSIS

Senate Research Center
80R14427 DLF-F

H.B. 2718
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State Affairs
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Availability of life insurance for armed services members on an individual basis is problematic. Due to the unpredictable life expectancy of servicemembers, group life premiums for them are calculated on a retrospective basis. The law has been unclear regarding such an association's collection of dues, fees and assessments from its members. Some of the money collected in this manner goes towards the association's cost for the purchase of a group life insurance policy for its members, but the law is being interpreted to apply the premium tax calculation to the entire amount collected from the membership, without excepting the amount that is not used to pay for the premiums.

H.B. 2718 sets forth the amount of money collected by a nonprofit armed services association that is required to be subject to the premium tax. The bill also provides that the premium tax is only to be calculated on the final amount of money calculated retrospectively and paid to the insurer of the association's group life policy.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1131.503, Insurance Code, by adding Subsection (c), to provide that, for purposes of Sections 222.002 (Tax Imposed), 257.001 (Maintenance Tax Imposed), and 281.004 (Retaliatory Taxes or other Charges, Prohibitions, and Restrictions), only the final retrospectively determined premium amount remitted to the issuer by the group policyholder is taxable as gross premiums, without regard to whether membership contributions, fees, assessments, dues, revenues, or other considerations in excess of that final amount are also collected from members. Provides that this subsection applies only to a nonprofit membership association that meets certain requirements set forth in this subsection.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: upon passage or September 1, 2007.