



1           1. By amending subsection (a) to read:  
2           "(a) ~~[Each]~~ With regard to authorized insurers:  
3           (1) Each authorized insurer, except with respect to all  
4           life insurance contracts, ocean marine insurance  
5           contracts, and real property title insurance  
6           contracts, shall pay to the director of finance  
7           through the commissioner a tax [~~of 4.265 per cent~~] at  
8           the pertinent rate prescribed in this paragraph on the  
9           gross premiums written from all risks or property  
10           resident, situated, or located within this State,  
11           during the year ending on the preceding December 31,  
12           less return premiums (but not including dividends paid  
13           or credited to policyholders), and less any  
14           reinsurance accepted (the tax upon such business being  
15           payable by the direct writing insurer). For the  
16           purpose of this part, effective from July 1, 2015, to  
17           June 30, 2017, "authorized insurer" or "insurer"  
18           includes a mutual benefit society or health  
19           maintenance organization that offers a health care  
20           insurance plan subject to chapter 432, article 1, or  
21           chapter 432D, as applicable, but continues to exclude



1 a fraternal benefit society that offers benefit  
2 contracts under chapter 432, article 2. The rate of  
3 the tax shall be 4.265 per cent for each authorized  
4 insurer; except that, for a mutual benefit society or  
5 health maintenance organization that offers a health  
6 insurance plan within the State, the rate of the tax  
7 shall be 0.0 per cent from July 1, 2015, to June 30,  
8 2017, if the society or organization does not file for  
9 any rate increase under article 14G between January 1,  
10 2015, and June 30, 2017. A mutual benefit society or  
11 health maintenance organization that has filed for a  
12 rate increase after December 31, 2014, but withdraws  
13 the filing before the approval date of this Act, shall  
14 not be deemed to have filed for a rate increase  
15 between January 1, 2015, and the date of withdrawal.  
16 For a mutual benefit society or health maintenance  
17 organization that first begins offering health  
18 insurance plans within the State after December 31,  
19 2015, the 0.0 per cent tax rate shall apply if the  
20 society or organization does not file for any rate



1           increase under article 14G after the society's or  
2           organization's initial rate filing.

3           (2) All premiums written, procured, or received in the  
4           State shall be presumed to have been from risks or  
5           property resident, situated, or located within the  
6           State. This presumption may be rebutted as to any  
7           premium:

8           ~~[(1)]~~ (A) By showing that it has been properly allocated or  
9           apportioned and reported as a taxable premium of  
10           another state or other appropriate taxing  
11           authority; or

12           ~~[(2)]~~ (B) By facts as to the residence, situation, or  
13           location of the risks or property, conclusively  
14           showing the nontaxability of the premium."

15           2. By amending subsection (f) to read:

16           "(f) The taxes imposed by subsections (a), (b), (c), and  
17           (d) shall be paid monthly. The monthly tax shall be due and  
18           payable on or before the twentieth day of the calendar month  
19           following the month in which it accrues, coinciding with the  
20           filing of the statement provided for in section 431:7-201.

1 In addition to the monthly tax and monthly tax statement,  
2 the annual tax shall be due and payable on or before March 1  
3 coinciding with the filing of the statement provided for in  
4 section 431:7-201.

5 All amounts paid under this subsection, other than fines,  
6 shall be allowed as a credit on the annual tax imposed by  
7 subsections (a), (b), (c), and (d).

8 If the total amount of installment payments for any  
9 calendar year exceeds the amount of annual tax for that year,  
10 the excess shall be treated as an overpayment of the annual tax  
11 and be allowed as a refund under section 431:7-203.

12 Any insurer failing or refusing to pay the required taxes  
13 above stated when due and payable shall be liable for a fine of  
14 \$500 or ten per cent of the tax due, whichever is greater; plus  
15 interest at a rate of twelve per cent per annum on the  
16 delinquent taxes. The taxes may be collected by distraint, or  
17 the taxes, fine, and interest may be recovered by an action to  
18 be instituted by the commissioner in the name of this State, in  
19 any court of competent jurisdiction. The commissioner may  
20 suspend the certificate of authority of the delinquent insurer

1 until the taxes, fine, and interest, should any be imposed, are  
2 fully paid.

3 Effective from July 1, 2015, to June 30, 2017, the  
4 commissioner shall establish special provisions and procedures  
5 for the administration of this Act. The special provisions and  
6 procedures shall provide for, but not be limited to, the  
7 following:

8 (1) The declaration by a mutual benefit society or health  
9 maintenance organization of its intention concerning  
10 the tax rate to be paid between July 1, 2015, and June  
11 30, 2017;

12 (2) The filing of returns by a mutual benefit society or  
13 health maintenance organization; and

14 (3) Collection of taxes from a mutual benefit society or  
15 health maintenance organization that is required to  
16 pay the tax, including the collection of back taxes  
17 from a society or organization that initially declares  
18 an intention to qualify for the 0.0 per cent rate, but  
19 subsequently files from a rate increase under article  
20 14G."



1 SECTION 3. Section 432:1-403, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "§432:1-403 Nonprofit medical, hospital indemnity  
4 associations; tax exemption. Every association or society  
5 organized and operating under this article solely as a nonprofit  
6 medical indemnity or hospital service association or society, or  
7 both, shall be, from the time of such organization, exempt from  
8 every state, county and municipal tax, except the unemployment  
9 compensation tax[-] and, effective from July 1, 2015, to June  
10 30, 2017, the insurance premium tax.

11 Nothing in this section shall be deemed to exempt the  
12 association or society from liability to withhold the taxes  
13 payable by its employees and to pay the same to the proper  
14 collection officers, and to keep such records, and make such  
15 returns and reports, as may be required in the case of other  
16 corporations, associations, or societies similarly exempted from  
17 such taxes."

18 SECTION 4. Section 432D-19, Hawaii Revised Statutes, is  
19 amended by amending subsection (d) to read as follows:

20 "(d) Article 2, article 2D, part IV of article 3, article  
21 6, part III of article 7, article 9A, article 13, article 14G,



1 and article 15 of chapter 431, and sections 431:3-301, 431:3-  
2 302, 431:3-303, 431:3-304, and 431:3-305, and the powers granted  
3 by those provisions to the commissioner, and, effective from  
4 July 1, 2015, to June 30, 2017, article 7, part II of chapter  
5 431, shall apply to health maintenance organizations, so long as  
6 the application in any particular case is in compliance with and  
7 is not preempted by applicable federal statutes and  
8 regulations."

9 SECTION 5. This Act shall expressly apply to mutual  
10 benefit societies. This section is intended to fulfill the  
11 requirement of section 432:1-101, Hawaii Revised Statutes,  
12 regarding the applicability of any law enacted after July 1,  
13 1988, to mutual benefit societies.

14 SECTION 6. This Act does not affect rights and duties that  
15 matured, penalties that were incurred, and proceedings that were  
16 begun before its effective date.

17 SECTION 7. Statutory material to be repealed is bracketed  
18 and stricken. New statutory material is underscored.





1           SECTION 8. This Act shall take effect on July 1, 2015, and  
2 shall be repealed on June 30, 2017.

3

INTRODUCED BY: *Ronald H. Baker*



# S.B. NO. 724

**Report Title:**

Insurance Premium Tax, Applicability to Mutual Benefit Societies

**Description:**

Temporarily imposes an insurance premium tax on mutual benefit societies and health maintenance organizations but exempts them from the tax if they do not file for an insurance plan rate increase during that period.

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