

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 179
Version: As introduced

DATE: March 12, 2001

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Subject: Corporate franchise tax - insurance companies

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Overview

This bill repeals the corporate franchise tax on insurance companies. This tax now applies only to Minnesota insurance companies and to insurance companies domiciled in states that do not have retaliatory taxes that apply to Minnesota companies (the states of Hawaii, Massachusetts, New Mexico, New York, and Rhode Island). Township mutual companies, farmers mutual companies, and mutual companies with assets of \$1.6 billion or less on 12/31/1989 are also exempt under present law, even if they are domiciled in Minnesota or one of the other listed states.

Section

- 1 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 2 **Reference.** Eliminates a reference to insurance companies, since the bill eliminates application of the corporate franchise tax to insurance companies.
- 3 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 4 **Exemption for insurance companies.** Extends the insurance company exemption to all insurance companies. Under present law, the following insurance companies are exempt:
 - Town and farmers mutual companiescompanies
 - Mutual companies whose total assets on 12/31/1989 were less than \$1.6 billionbillion
 - Companies domiciled in another state if their state of domicile imposes retaliatoryretaliatory taxes on Minnesota companies. The states that either do not have retaliatory taxes or have reciprocal non-retaliation are Hawaii, Massachusetts, New York, New Mexico, and Rhode Island. The corporate franchise tax applies only to

companies domiciled in Minnesota and those five states. Companies domiciled in the other states (including states that are the home one or more large insurers, such as Connecticut, Illinois, Indiana, Iowa, New Jersey, and Wisconsin) are not subject to the corporate franchise tax. This exemption was provided so that Minnesota companies would not be subject to paying the Minnesota corporate franchise tax on their business done in states with retaliatory taxes.

- 5 **Reference.** Eliminates a reference to the premiums tax credit which is repealed by section 16.
- 6 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 7 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 8 **Minimum fee.** Extends the insurance company exemption from the minimum fee to all insurance companies. Under present law, this exemption applies only to companies domiciled in states with retaliatory taxes that apply to Minnesota companies. Town, farmers, and small mutual Minnesota companies are subject to this fee, even though they are generally exempt from the regular corporate franchise tax.
- 9 **Mutual savings banks.** Eliminate provisions governing the taxation of insurance written by mutual savings banks. These banks would be taxed only on their non-insurance business source of income.
- 10 **Reference.** Eliminates a reference to life insurance companies in the deduction for net operating losses.
- 11 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 12 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 13 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 14 **Cross reference.** Eliminates a cross reference to the statutory section containing the rules for apportioning the income of insurance companies and allowing a credit for premium taxes paid; this section is repealed by section 16.
- 15 **Reference.** Eliminates references in the guaranty association credit to the corporate franchise tax liability, since the bill eliminates the tax.
- 16 **Repealer.** Repeals the statutes that provide for the method for insurance companies to take operating loss deduction (§ 290.095, subd. 1a) and containing the apportionment provisions for insurance companies and the premiums tax credit (§ 290.35).