

**Subject** Premium tax – health maintenance organizations

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## Overview

H.F. 197 would impose the premium tax on for-profit Health Maintenance Organizations (HMOs) at the rate of 2%. Nonprofit HMOs would continue to be taxed at the 1% rate. (A 2017 change in state law allows an HMO to now be organized as a for-profit entity.)

The premium tax is imposed on gross premiums, less return premiums. The basic rate is 2%, although some insurance companies pay a lower rate. Under current law, an HMO, whether organized as a for- or nonprofit entity, pays at a 1% rate. The proceeds of the tax on these companies are deposited in the health care access fund to finance the MinnesotaCare program.

The changes to the premium tax rate for for-profit HMOs is effective for premium tax returns due in 2020.

## Summary

Section	Description
1	<p><b>Administrative expenses.</b></p> <p>Updates a cross-reference to the premium tax to conform to the changes made in sections 3 and 5.</p> <p>Effective date: Day following final enactment.</p>
2	<p><b>Deposit of revenues and payment of refunds; Minnesota Care tax.</b></p> <p>Eliminates the requirement that the amount collected under the premium tax from HMOs, community integrated service networks, and nonprofit health service plan corporations must be deposited in the health care access fund. The premium tax collected from these entities is currently dedicated to the fund in section 5 of this bill. Section 3 requires that the premium tax collected from for-profit HMOs must also be dedicated to this fund.</p> <p>Effective date: Day following final enactment.</p>

Section	Description
3	<p><b>Domestic and foreign companies and for-profit health maintenance organizations; deposit of revenues.</b></p> <p>Imposes the 2% premium tax rate on for-profit HMOs and requires the proceeds from the tax on these entities to be deposited in the health care access fund.</p> <p>Effective date: Day following final enactment, for premium tax returns due in 2020.</p>
4	<p><b>Township mutual insurance.</b></p> <p>Makes a clarifying correction relating to how the premium tax on township mutual insurance companies is determined.</p> <p>Effective date: Day following final enactment.</p>
5	<p><b>Nonprofit health maintenance organizations, nonprofit health service plan corporations, and community integrated service networks; deposit of revenues.</b></p> <p>Clarifies that the current 1% premium tax rate on HMOs is imposed only on nonprofit HMOs.</p> <p>Effective date: Day following final enactment, for premium tax returns due in 2020.</p>



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