

**Subject** Premium tax – health maintenance organizations

**Authors** Schultz

**Analyst** Christopher Kleman

**Date** February 24, 2021

## Overview

H.F. 1000 would impose the premium tax on the gross premiums of for-profit Health Maintenance Organizations (HMOs) at the rate of two percent. Nonprofit HMOs would continue to be taxed at the one percent rate, which currently applies to all HMOs. (A 2017 change in state law allows an HMO to be organized as a for-profit entity.) All proceeds from the tax on for-profit HMOs would continue to be deposited in the health care access fund that finances the MinnesotaCare program.

The changes to the premium tax rate for for-profit HMOs is effective for premium tax returns due in 2022.

In addition, the bill would impose an additional tax on health insurers subject to the premium tax at the rate of 1.65 percent. This additional tax would be retroactive to premiums received in 2020.

## Summary

Section	Description
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| 1 | <p><b>Administrative expenses.</b></p> <p>Updates a cross-reference 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; MinnesotaCare tax.</b></p> <p>Eliminates a duplicative requirement that the premium tax on health insurers be deposited in the health care access fund, which is also required in section 2971.05, subdivision 5. Section 3 requires that the premium tax collected from for-profit HMOs be deposited in this same fund.</p> <p>Effective date: Day following final enactment.</p> |

<b>Section</b>	<b>Description</b>
3	<p><b>Domestic and foreign companies and for-profit health maintenance organizations; deposit of revenues.</b></p> <p>Imposes the two percent 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 2022.</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 one percent 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 2022.</p>
6	<p><b>Additional tax on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations.</b></p> <p>Imposes an additional tax on gross premiums at the rate of 1.65 percent, on health maintenance organizations, community integrated service networks, and nonprofit health care service plan corporations.</p> <p>Effective date: Retroactive for premiums received in 2020 and thereafter.</p>
7	<p><b>Requirement to pay.</b></p> <p>Imposes the requirement to pay estimated tax on the insurers subject to the additional tax on health insurers proposed in section 6.</p> <p>Effective date: Retroactive for premiums received in 2020 and thereafter.</p>
8	<p><b>Definition of tax.</b></p> <p>Conforms to the change in section 7.</p> <p>Effective date: Retroactive for premiums received in 2020 and thereafter.</p>
9	<p><b>Special rules for tax imposed in 2020 and 2021.</b></p> <p>Creates special rules for the additional tax due under section 6 prior to enactment. For additional tax due in 2020, payments of the tax must be made in four</p>

**Section** **Description**

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installments starting September 15, 2021, and ending June 15, 2022. The due date for estimated tax otherwise due March 15, 2021, is June 15, 2021. Provided the tax is paid on the required dates, this section clarifies that the penalty for underpayment of estimated tax does not apply.

Effective date: Retroactive for premiums received in 2020 and thereafter.



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