Andre Imbrogno *Legislative Service Commission*

Bill Analysis

H.B. 35

127th General Assembly
(As Introduced)

Reps. Wolpert, J. McGregor, Gibbs, Raussen

BILL SUMMARY

- Reduces the tax required to be paid for surplus line insurance from 5% to 1.4% of gross premiums.
- Restores the exemption from the foreign insurers tax for insurance contracts issued to "employer insureds."

CONTENT AND OPERATION

Tax rate reductions for surplus line insurance

(R.C. 3905.36)

Current law imposes a 5% gross premiums tax on any person that obtains insurance covering risks in Ohio from an insurer that is not authorized to do business in Ohio.[1] The tax does not apply if the insured obtains the policy through a surplus line broker, who would be liable for the tax (see below). All of the revenue from the tax is credited to the General Revenue Fund.

The bill reduces the rate of the tax to 1.4%, which equals the rate of the gross premiums tax imposed on insurance companies authorized to do business in Ohio.

[1] For some risks, a person might obtain insurance from an insurance carrier that is not authorized to do business in Ohio--so called "surplus line" insurance--in lieu of obtaining coverage from a carrier authorized to do business in Ohio. Surplus line insurance can be obtained either directly or through a surplus line broker, so long as the insurance satisfies certain criteria.

If an insured obtains surplus line insurance through a surplus line broker, the broker is required to collect the gross premiums tax from the insured. The tax is collected at the time the surplus line broker delivers the policy to the insured.

The bill likewise reduces the rate of the tax paid by surplus line brokers to 1.4%.

Exemption for "employer insureds"

(R.C. 3901.17)

Current law imposes a 5% gross premiums tax directly on surplus line insurance carriers for policies covering risks in Ohio. The tax does not apply if the insurance is transacted through a surplus line broker or if it is transacted outside Ohio and the tax is paid by the insured (as explained above).

Under prior law in effect until September 2005, the tax did not apply to insurance contracts issued to "employer insureds"--i.e., employers that have at least 25 full-time employees; have annual aggregate premiums of at least $25,000; and that procure insurance through a full-time employee or through an insurance consultant who is not a licensed broker. In 2005, the General Assembly amended the tax exemption for employer insureds with the apparent intent of repealing the exemption.

The bill appears to restore the tax exemption for insurance contracts issued to employer insureds.

HISTORY

ACTION	DATE
Introduced	02-20-07

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