

ASSEMBLY BILL NO. 3—COMMITTEE OF THE WHOLE

SEPTEMBER 10, 2014

Referred to Committee of the Whole

SUMMARY—Revises provisions governing the general tax on insurance premiums. (BDR 57-8)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to commerce; limiting certain credits which may be used against an insurer's liability for the general tax on insurance premiums for a certain period and eliminating those credits after that period; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

1 Existing law requires each insurer to pay to the Department of Taxation a tax
2 upon net direct premium and net direct considerations written at the rate of 3.5
3 percent. (NRS 680B.027) Existing law authorizes a domestic or foreign insurer
4 which owns and substantially occupies and uses any building in this State as its
5 home office or as a regional home office to take as credits against the general tax
6 on insurance premiums otherwise imposed: (1) an amount equal to 50 percent of
7 the aggregate amount of the tax; and (2) an amount equal to the full amount of ad
8 valorem taxes paid by the insurer upon the home office or regional home office.
9 (NRS 680B.050, 680B.055) Beginning January 1, 2016, **section 2** of this bill limits
10 the amount of the credit that may be provided to such insurers to not more than
11 \$5,000,000 in the aggregate for all insurers. **Section 2** further provides a calculation
12 to determine the pro rata amount of the total credits to which each insurer is
13 entitled. **Sections 1, 3 and 4** of this bill completely eliminate the credits which
14 an insurer may take against the general tax on insurance premiums beginning
15 January 1, 2021.



THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 680B.027 is hereby amended to read as follows:

680B.027 1. Except as otherwise provided in NRS 680B.033, 680B.0353 ~~1, 680B.0501~~ and 690C.110, for the privilege of transacting business in this State, each insurer shall pay to the Department of Taxation a tax upon his or her net direct premiums and net direct considerations written at the rate of 3.5 percent.

2. The tax must be paid in the manner required by NRS 680B.030 and 680B.032.

3. The Commissioner or the Executive Director of the Department of Taxation may require at any time verified supplemental statements with reference to any matter pertinent to the proper assessment of the tax.

Sec. 2. NRS 680B.050 is hereby amended to read as follows:

680B.050 1. Except as otherwise provided in this section, a domestic or foreign insurer, including, without limitation, an insurer that is exempt from federal taxation pursuant to 26 U.S.C. § 501(c)(29), which owns and substantially occupies and uses any building in this state as its home office or as a regional home office is entitled to ~~the following credits~~ *a credit* against the tax otherwise imposed by NRS 680B.027 ~~1~~ *in an amount determined pursuant to subsections 2 and 3.*

2. To determine the amount of the credit to which an insurer is entitled, the insurer must first calculate:

(a) An amount equal to 50 percent of the aggregate amount of the tax as determined under NRS 680B.025 to 680B.039, inclusive; and

(b) An amount equal to the full amount of ad valorem taxes paid by the insurer during the calendar year next preceding the filing of the report required by NRS 680B.030, upon the home office or regional home office together with the land, as reasonably required for the convenient use of the office, upon which the home office or regional home office is situated.

~~1 - These credits must not reduce the amount of tax payable to less than 20 percent of the tax otherwise payable by the insurer under NRS 680B.027.~~

~~2.~~

3. The total aggregate amount of credits that may be applied by all insurers pursuant to subsection 1 must not exceed \$5,000,000 and must be allocated to each insurer on a pro rata basis by determining the percentage of the total amount calculated



1 *for all insurers pursuant to subsection 2 that is allocable to each*
2 *insurer.*

3 4. As used in this section, a “regional home office” means an
4 office of the insurer performing for an area covering two or more
5 states, with a minimum of 25 employees on its office staff, the
6 supervision, underwriting, issuing and servicing of the insurance
7 business of the insurer.

8 ~~13-1~~ 5. The insurer shall, on or before March 15 of each year,
9 furnish proof to the satisfaction of the Executive Director of the
10 Department of Taxation, on forms furnished by or acceptable to the
11 Executive Director, as to its entitlement to the tax reduction
12 provided for in this section. A determination of the Executive
13 Director of the Department of Taxation pursuant to this section is
14 not binding upon the Commissioner for the purposes of
15 NRS 682A.240.

16 ~~14-1~~ 6. An insurer is not entitled to the credits provided in this
17 section unless:

18 (a) The insurer owned the property upon which the reduction is
19 based for the entire year for which the reduction is claimed; and

20 (b) The insurer occupied at least 70 percent of the usable space
21 in the building to transact insurance or the insurer is a general or
22 limited partner and occupies 100 percent of its ownership interest in
23 the building.

24 ~~15-1~~ 7. If two or more insurers under common ownership or
25 management and control jointly own in equal interest, and jointly
26 occupy and use such a home office or regional home office in this
27 state for the conduct and administration of their respective insurance
28 businesses as provided in this section, each of the insurers is entitled
29 to the credits provided for by this section if otherwise qualified
30 therefor under this section.

31 ~~16-1~~ 8. For the purposes of subsection 1, any insurer that is
32 exempt from federal taxation pursuant to 26 U.S.C. § 501(c)(29) and
33 is restricted or prohibited from purchasing or owning real property
34 pursuant to a contract with the Federal Government, including any
35 entity thereof, shall be deemed to own any portion of any real
36 property that the insurer occupies. The provisions of this subsection
37 expire upon the expiration, cancellation, repayment or any other
38 termination of the contract restricting or prohibiting such purchase
39 or ownership.

40 **Sec. 3.** NRS 680B.050 and 680B.055 are hereby repealed.

41 **Sec. 4.** 1. This section and section 2 of this act become
42 effective on January 1, 2016.

43 2. Sections 1 and 3 of this act become effective on January 1,
44 2021.



TEXT OF REPEALED SECTIONS

680B.050 General tax on premiums: Credit if home office or regional home office in Nevada.

1. Except as otherwise provided in this section, a domestic or foreign insurer, including, without limitation, an insurer that is exempt from federal taxation pursuant to 26 U.S.C. § 501(c)(29), which owns and substantially occupies and uses any building in this state as its home office or as a regional home office is entitled to the following credits against the tax otherwise imposed by NRS 680B.027:

(a) An amount equal to 50 percent of the aggregate amount of the tax as determined under NRS 680B.025 to 680B.039, inclusive; and

(b) An amount equal to the full amount of ad valorem taxes paid by the insurer during the calendar year next preceding the filing of the report required by NRS 680B.030, upon the home office or regional home office together with the land, as reasonably required for the convenient use of the office, upon which the home office or regional home office is situated.

↳ These credits must not reduce the amount of tax payable to less than 20 percent of the tax otherwise payable by the insurer under NRS 680B.027.

2. As used in this section, a “regional home office” means an office of the insurer performing for an area covering two or more states, with a minimum of 25 employees on its office staff, the supervision, underwriting, issuing and servicing of the insurance business of the insurer.

3. The insurer shall, on or before March 15 of each year, furnish proof to the satisfaction of the Executive Director of the Department of Taxation, on forms furnished by or acceptable to the Executive Director, as to its entitlement to the tax reduction provided for in this section. A determination of the Executive Director of the Department of Taxation pursuant to this section is not binding upon the Commissioner for the purposes of NRS 682A.240.

4. An insurer is not entitled to the credits provided in this section unless:

(a) The insurer owned the property upon which the reduction is based for the entire year for which the reduction is claimed; and



* A B 3 *

(b) The insurer occupied at least 70 percent of the usable space in the building to transact insurance or the insurer is a general or limited partner and occupies 100 percent of its ownership interest in the building.

5. If two or more insurers under common ownership or management and control jointly own in equal interest, and jointly occupy and use such a home office or regional home office in this state for the conduct and administration of their respective insurance businesses as provided in this section, each of the insurers is entitled to the credits provided for by this section if otherwise qualified therefor under this section.

6. For the purposes of subsection 1, any insurer that is exempt from federal taxation pursuant to 26 U.S.C. § 501(c)(29) and is restricted or prohibited from purchasing or owning real property pursuant to a contract with the Federal Government, including any entity thereof, shall be deemed to own any portion of any real property that the insurer occupies. The provisions of this subsection expire upon the expiration, cancellation, repayment or any other termination of the contract restricting or prohibiting such purchase or ownership.

680B.055 General tax on premiums: Eligibility for credit where home office or regional home office owned by limited partnership; proportion of ad valorem tax qualified for credit.

1. For the purposes of eligibility for the credit provided by NRS 680B.050, if an insurer is a partner, general or limited, in a limited partnership which owns a building used by the insurer as its home office or a regional home office, the insurer shall be deemed to own the building so used if:

(a) The insurer's proportionate interest in the partnership is equal to or greater than the proportion which the floor area of the building or portion thereof so used bears to the total floor area of the buildings on the contiguous real property owned by the partnership at the location of the building so used; or

(b) The insurer's interest in the partnership is 50 percent or more.

2. The ad valorem tax paid by the insurer shall be deemed to be that proportion of the total ad valorem tax paid by the partnership upon its contiguous real property at the location of the building which the floor area of the building so used bears to the total floor area of the buildings on the contiguous real property.



