

February 28, 1986 LB 1114

CLERK: Mr. President, Senator Vard Johnson would move to amend. (V. Johnson amendment appears on pages 1083-84 of the Legislative Journal.)

PRESIDENT: Senator Johnson.

SENATOR V. JOHNSON: Mr. Speaker and members of the Legislature, this amendment I alluded to a few minutes earlier in my opening remarks. This particular amendment would set Nebraska's premium tax for all kinds of insurers, makes no difference whether they are foreign or domestic insurers, would set that premium tax at 1 percent. Provided, however, that if a line of insurance which is bearing the tax as group health insurance, then the premium tax would be a half of 1 percent. Now as you can appreciate what this particular amendment does is it clearly raises the current level of premium tax for domestic insurers from .6 of 1 percent to 1 percent and by the same token it lowers the premium tax for domestic insurers group health business from .6 of 1 percent to .5 of 1 percent. By the same token it reduces the premium tax for foreign insurers from 2 percent to 1 percent. Now your question naturally would be, well if we're going to have that kind of a reduction from 2 percent to 1 percent to foreign insurers, how do we make any money? Where does the money come from? Insurance taxation is somewhat complicated. We have two different tax programs for insurance companies. The first tax program that we have is the traditional premium tax law which we are now addressing. The second tax program that we have is the retaliatory tax program. Under the retaliatory tax program we say that the state's tax rate on a foreign insurance company shall be whatever that tax rate is in a sister state for one of our domestic insurance companies. It turns out that virtually all of our sister states have a tax rate of 2 percent. The application of the retaliatory tax law will in effect compel our foreign insurance companies doing business in Nebraska to pay their premium taxes at a rate of approximately 2 percent, notwithstanding the fact that we have just lowered or are about to lower our own premium tax from 2 percent to 1 percent. So with the two types of tax systems that we do have, this particular amendment will, (a) make the law constitutional and, (b) continue to generate for the state the kind of revenue that the unconstitutional law has been generating. I'll be glad to respond to any questions. I would offer the amendment.