

# SN 2000(12)

## 2000 Legislation Affecting the Insurance Premiums Tax and the Health Care Center Tax

**PURPOSE:** This Special Notice is to summarize 2000 legislation affecting the insurance premiums tax and the health care center tax.

**EFFECTIVE DATE:** The effective dates of the legislation are noted below.

**STATUTORY AUTHORITY:** Conn. Gen. Stat. §12-202a, as amended by 2000 Conn. Pub. Acts 170, §19, and 2000 Conn. Pub. Acts 174, §78. Conn. Gen. Stat. §38a-841, as amended by 2000 Conn. Pub. Acts 174, §77. Conn. Gen. Stat. §38a-866(h), as amended by 2000 Conn. Pub. Acts 174, §§50 and 76.

**REVISED TAX RETURNS:** The health care center tax return will be revised to reflect the legislative changes described in this publication. Use only the revised returns for periods beginning on or after January 1, 2000.

**CONNECTICUT LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION ASSESSMENT:** One hundred percent of any assessment paid to the Connecticut Life and Health Insurance Guaranty Association (“Association”) by a member insurer is creditable against the member insurer’s insurance premiums tax. The credit is allowable over a period of five successive calendar years, following the year the assessment was paid. Twenty percent (20%) of the assessment is allowable in each of those five successive calendar years. (Under prior law, only 50% of the assessment was creditable and the credit was allowable in the year of payment.) This legislation applies to calendar years beginning on or after January 1, 2000. See Conn. Gen. Stat. §38a-866(h), as amended by 2000 Conn. Pub. Acts 174, §76.

**Example:** A member insurer pays an assessment to the Connecticut Life and Health Insurance Guaranty Association during calendar year 2000. The assessment paid during calendar year 2000 is creditable against the member's insurance premiums tax as follows:

<u>return for calendar year</u>	<u>% of the assessment creditable against the tax</u>
2000	0
2001	20
2002	20
2003	20
2004	20
2005	20

Any assessment that is credited against a member insurer's insurance premiums tax and subsequently refunded by the Association must be repaid to the Department of Revenue Services (DRS). The Association is required to promptly notify DRS of all refunds. The notification must include:

- The name and address of member insurers to which assessments have been refunded.
- The amount of the refund.
- The date on which the refund was mailed.

Refunded assessments not paid to DRS on or before the 30th day after the date of mailing are subject to interest. Interest is applied at the rate of one percent per month or fraction of a month and begins to accrue immediately following the 30th day. This legislation applies to refunded assessments made on or after July 1, 2000. See Conn. Gen. Stat. §38a-866(h), as amended by 2000 Conn. Pub. Acts 174, §50.

A member insurer may transfer the credit for any assessment paid to the Association to an affiliate, as defined in Conn. Gen. Stat. §38a-1 (“a qualified transferee”). However, the credit may not be transferred in part. For example, if a member insurer transfers the credit to a qualified transferee, the credit is allowable over the same 5-year period for the qualified transferee as it would have been allowable for the member insurer. Also a qualified transferee may not retransfer the credit.

Any insurer claiming the credit on **Form 207**, *Insurance Premium Tax Return Domestic Companies*, or **Form 207F**, *Insurance Premium Tax Return/Nonresident and Foreign Companies*, will be required to indicate on the return whether it is claiming the credit as a qualified transferee. If so, the name and Connecticut insurance premiums tax registration number of the transferor must be provided.

In the event that a member insurer has transferred the credit and the qualified transferee has credited the assessment against its insurance premiums tax, and the assessment is refunded to the member insurer, it is the member insurer that is obligated to repay the refunded assessment to DRS.

<u>return for calendar year</u>	<u>% of the assessment creditable against the tax</u>
2000	0
2001	20
2002	20
2003	20
2004	20
2005	20

Any assessment that is credited against a member insurer's insurance premiums tax and subsequently refunded by the Association must be repaid to DRS.

A member insurer may transfer the credit for any assessment paid to the Association to an affiliate, as defined in Conn. Gen. Stat. §38a-1 (“a qualified transferee”). However, the credit may not be transferred in part. For example, if a member insurer transfers the credit to a qualified transferee, the credit is allowable over the same 5-year period for the qualified transferee as it would have been allowable for the member insurer. Also, a qualified transferee may not retransfer the credit.

Any insurer claiming the credit on **Form 207**, *Insurance Premium Tax Return for Domestic Companies*, or **Form 207F**, *Insurance Premium Tax Return/Nonresident and Foreign Companies*, will be required to indicate on the return whether it is claiming the credit as a qualified transferee. If so, the name and Connecticut insurance premiums tax registration number of the transferor must be provided.

In the event that a member insurer has transferred the credit and the qualified transferee has credited the assessment against its insurance premiums tax, and the assessment is refunded to the member insurer, it is the member insurer that is obligated to repay the refunded assessment to DRS.

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**CONNECTICUT INSURANCE GUARANTY ASSOCIATION ASSESSMENT:** One hundred per cent (100%) of any assessment paid to the Connecticut Insurance Guaranty Association (“Association”) by a member insurer is creditable against the member insurer’s insurance premiums tax. The credit is allowable over a period of five successive calendar years, following the year the assessment was paid. Twenty percent (20%) of the assessment is allowable in each of those five successive calendar years. (Under prior law, the assessment paid to the Association by a member insurer was not creditable against the insurance premiums tax.) This legislation applies to calendar years beginning on or after January 1, 2000. See Conn. Gen. Stat. §38a-841, as amended by 2000 Conn. Pub. Acts 174, §77.

**Example:** A member insurer pays an assessment to the Connecticut Insurance Guaranty Association during calendar year 2000. The assessment paid during calendar year 2000 is creditable against the member insurer’s insurance premiums tax as follows:

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**HEALTH CARE CENTER TAX EXEMPTION:** Net direct subscriber charges received by a health care center on any new or renewal contract or policy, entered into with the State of Connecticut, on or after February 1, 2000, to provide health care coverage for retired teachers, their spouses or their surviving spouses, are exempt from the health care center tax, provided the teachers or spouses are covered by plans offered by the State Teachers’ Retirement System. See Conn. Gen. Stat. §12-202a, as amended by 2000 Conn. Pub. Acts 174, §78.

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**HEALTH CARE CENTER TAX CREDIT:**

2000 Conn. Pub. Acts §170 creates a credit for health care centers. The credit is computed by multiplying \$55 by the number of persons (“creditable persons”) provided health care coverage under the HUSKY Medicaid Plan Part A, Husky Part B, or HUSKY Plus programs.

The number of creditable persons is computed by:

1. Adding the number of Creditable Persons as of the first day of each month for each month in the calendar year, then
2. Dividing the total by 12.

The credit may not exceed the health care center tax. In determining whether a health care center has made required estimated health care center tax payments, the credit may not be taken into account.

This legislation applies to calendar years beginning on or after January 1, 2000. See 2000 Conn. Pub. Acts 170, §19.

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**EFFECT ON OTHER DOCUMENTS:**

**Announcement 99(4)**, *Refund to Member Insurers of Assessments Paid by Them to Connecticut Life and Health Insurance Guaranty Association*, is obsolete and may not be relied upon on or after July 1, 2000.

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**EFFECT OF THIS DOCUMENT:** A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates the Department’s informal interpretation of Connecticut tax law and may be referred to for general guidance by taxpayers or tax practitioners.

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**FOR FURTHER INFORMATION:** For information about the insurance premiums tax or the health care center tax, please call the Excise/Public Services Taxes Subdivision at **860-541-3225** during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday.

For information concerning other Connecticut taxes, please call the Department of Revenue Services during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut), or
- **860-297-5962** (from anywhere).

**TTY, TDD, and Text Telephone users only** may transmit inquiries 24 hours a day by calling 860-297-4911.

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**FORMS AND PUBLICATIONS:** Forms and publications are available all day, seven days a week:

- **Internet:** preview and download forms and publications from the DRS Web site: **[www.drs.state.ct.us](http://www.drs.state.ct.us)**
  - **DRS TAX-FAX:** call **860-297-5698** from the handset attached to your fax machine and select from the menu
  - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone
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