Each Probate Judge, Sheriff, District Court Clerk, the Clerk and Register of the Circuit Court, County Commission Chairman and Municipal Clerk is required by law to preserve this slip or pamphlet in a book kept in his office until the Act is published in permanent form.

ALABAMA LAW
(Regular Session, 1987)

Act No. 87-333


AN ACT

To amend Sections 27-4-4 and 27-4-5, Code of Alabama 1975, relating to Insurance Company Premium Tax so as to change the dates of premium tax payments by insurers.

Be It Enacted by the Legislature of Alabama:

Section 1. Section 27-4-4, Code of Alabama 1975, is hereby amended to read as follows:

“(a) Every foreign insurer, except foreign life insurers, shall pay to the commissioner premium tax amounting to four percent of the premiums received by such foreign insurer for business done in this state except as to wet marine and transportation insurance as defined in section 27-5-8, whether the same are actually received by said insurer in this state or elsewhere. Every foreign life insurer shall pay to the commissioner premium tax amounting to one percent of annuity considerations and premium tax of three percent of any other premiums received by such foreign life insurer for business done in this state, whether the same are actually received by said insurer in this state or elsewhere. The rate of tax on premiums shall be subject to reduction as provided in this section. Beginning January 1, 1987, each foreign insurer shall pay its premium taxes on October 15, 1987, on an estimated basis of 50% of premiums received by such insurer in 1986 for business done in this state or, at the option of the insurer, based on its actual business done in this state from January 1 through June 30, 1987. On March 1, 1988, each foreign insurer shall remit with its premium tax return, the remainder of the premium taxes due on its actual business done in this state during the preceding calendar year, 1987. Beginning January 1, 1988, and all years thereafter, each foreign insurer shall pay its premium taxes on a quarterly basis as follows: the May 15 payment shall be estimated on 25% of its actual business done in this state during the preceding calendar year or, at the option of such insurer, based on its actual business done in this state from January 1 through
March 31 of the same calendar year; the August 15 payment shall be estimated on 25% of its business done in this state during the preceding calendar year or, at the option of such insurer, based on its actual business done in this state from April 1 through June 30 of the same calendar year; the November 15 payment shall be estimated on 25% of its business done in this state during the preceding calendar year or, at the option of such insurer, based on its actual business done in this state from July 1 through September 30 of the same calendar year and the March 1 payment shall be in the amount of the remainder of the premium taxes due on its actual business done in this state during the preceding calendar year. Each authorized insurer shall file with the commissioner a statement, in form as furnished or approved by him, setting forth the total amount of premiums and annuity considerations received by it for business done in this state during the period covered by the tax payment, except as to wet marine and transportation insurance as defined in section 27-5-8. The statement shall be verified by the affidavit of an officer of the insurer having knowledge of the facts. It is the intent and meaning of this section that any taxes paid based on an estimated basis for the preceding calendar year shall be reconciled to actual premiums collected in this state for a calendar year on the March 1 payment date of the succeeding calendar year. Further, that the premium taxes on premiums collected during the first and second six-month periods of calendar year 1987, shall be paid in the manner specifically provided in this section.

The premium taxes collected in this section shall be deposited in the state treasury and credited in accordance with the following tabulation:

(1) To the credit of the state general fund, from which the legislature may appropriate funds for old age assistance purposes:
   a. One hundred percent of premium tax on foreign life insurers;
   b. Sixty-two and one-half percent of premium tax on all foreign property insurers; and
   c. Seventy-five percent of premium tax on all other foreign insurers; and

(2) To the credit of the Alabama special educational trust fund:
   a. Thirty-seven and one-half percent of premium tax on foreign property insurers; and
   b. Twenty-five percent of premium tax on all other foreign insurers.

(b) If the annual statement or other report required to be made by such foreign insurer to the Alabama Department of Insurance,
whose premiums are taxed under this chapter, for the preceding calendar year shows such insurer to have invested at the close of said year in Alabama investments, as defined in this section, the requisite percentages of its total admitted assets, the rate of premium tax hereby levied on premiums shall be that shown in the following schedules:

<table>
<thead>
<tr>
<th>Percentage of Insurer's Admitted Assets Invested in Alabama Investments</th>
<th>Applicable Rate of Premium Tax for Foreign Life Insurers</th>
<th>Applicable Rate of Premium Tax for All Other Foreign Insurers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1%</td>
<td>3.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>1% and above but less than 2%</td>
<td>2.9%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2% and above but less than 3%</td>
<td>2.8%</td>
<td>3.8%</td>
</tr>
<tr>
<td>3% and above but less than 4%</td>
<td>2.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>4% and above but less than 5%</td>
<td>2.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>5% and above but less than 6%</td>
<td>2.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>6% and above but less than 7%</td>
<td>2.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>7% and above but less than 8%</td>
<td>2.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td>8% and above but less than 9%</td>
<td>2.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>9% and above but less than 10%</td>
<td>2.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>10% and above</td>
<td>2.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

(c) Alabama investments, as used in this section, shall mean any of the following investments:

1. Real estate in this state;

2. Bonds or interest-bearing warrants or other evidences of indebtedness of the state of Alabama or of any county, city, town, school district, state educational institution, municipality or other subdivisions of the state, or of any duly authorized agency, board or authority of the state of Alabama or of any political subdivision thereof whether such agency, board or authority now exists or is hereafter created;

3. Stocks, bonds or other evidences of indebtedness of any housing or redevelopment authority organized under the Housing Authorities Law or Redevelopment Law of the state of Alabama, as from time to time established and amended;

4. Notes or bonds secured by mortgages or other liens on real estate or on leasehold interests in real estate in the state of Alabama;

5. Stocks, bonds, debentures, notes or other evidences of indebtedness of any corporation organized under the laws of the state of Alabama;

6. Notes, debentures or other evidences of any indebtedness of any business operated as a sole proprietorship, partnership or other
legal entity having its principal office and place of business in the state of Alabama;

(7) Notes, bonds or other evidences of indebtedness secured by mortgage or other lien upon real estate situated in the state of Alabama and insured or guaranteed in whole or in part, by the United States or any agency or instrumentality thereof, together with any bonds, debentures or other evidences of indebtedness of the United States or any agency or instrumentality thereof received and retained in whole or partial settlement of any such insurance or guaranty;

(8) Collateral loans to Alabama residents or to others where at least half of the value of the collateral so pledged constitutes an Alabama investment as defined in this section;

(9) Cash deposits in regularly established national or state banks in this state on the basis of the average monthly deposits throughout the calendar year;

(10) Loans secured by policies on the lives of residents of the state of Alabama;

(11) Share or share accounts of building and loan associations organized under the laws of the state of Alabama or in the share or share accounts of federal savings and loan associations having their principal office in the state of Alabama;

(12) Stocks, bonds, notes, debentures or other evidences of indebtedness of any corporation organized under the laws of any other state of the United States, to the extent that the assets of such corporation located in the state of Alabama bear to the total assets of the corporation issuing such stocks, bonds, notes or other evidences of indebtedness;

(13) Stocks, bonds, notes or other evidences of indebtedness issued by railroad companies, public carriers or transportation companies, to the extent that its trackage or mileage in Alabama bears to the total trackage or mileage of such railroad, public carrier or other transportation company;

(14) That percentage of such insurer's investments in stocks, bonds, notes or other evidences of indebtedness of any telegraph, telephone, electric power company or other public utility to the extent that the revenue of any such company from Alabama bears to the total of such telegraph, telephone, electric power company or other public utility; and

(15) That percentage of the insurer's investments held as of December 31, in direct obligations of the United States of America as the total premiums received by the company for direct insurance
of subjects located, resident or to be performed in Alabama relate to the total premiums received by the insurer.

(d) Any such tax so determined shall be subject to credit and deduction of the full amount, with 25% of the full amount paid, or estimated to be paid, being credited or deducted on each quarterly payment date, for:

(1) All ad valorem taxes paid by the insurer for the tax year next preceding the filing of the return required by this section upon any real estate and the improvements thereon in the state of Alabama owned and at least 50 percent occupied by the insurer for the full period of such tax year;

(2) All license fees and taxes paid to any county in this state during the year preceding the filing of the return required by this section for the privilege of engaging in the business of insurance within said county;

(3) All franchise taxes paid by the insurer under the provisions of sections 40-14-40 or 40-14-41 for the tax year preceding the filing of the return required by this section; and

(4) All expense of examination of the insurer by the commissioner.

(5) all credits for assessments paid as provided under the provisions of Sections 27-42-16 and 27-44-13 of the Code of Alabama 1975.

(6) It is the intent of this section that any estimated allowable deduction be reconciled to actual expenditures made during the calendar year next preceding the filing of the tax return and necessary adjustments reflected in the tax payment due March 1. Credit taken against taxes due for the six-month period ending June 30, 1987, and payable on October 15, 1987, will be in the amount of one-half of deductible expenses paid or estimated to be paid, and the remainder of any such expenses paid during calendar year 1987 will be reflected in the premium tax return due March 1, 1988.”

Section 2. Section 27-4-5, Code of Alabama, 1975, is hereby amended to read as follows:

“(a) Every domestic life insurer shall pay to the commissioner a premium tax equal to one percent of the premiums and annuity considerations received by such insurer for business done in this state during the preceding period, whether the same are actually received by said insurer in this state or elsewhere. Every other domestic insurer and every nonprofit corporation organized pursuant to the provisions of section 10-4-100 et seq. shall pay to the commissioner a premium tax equal to one percent of the premiums...
received by such insurer for business done in this state during the preceding period, whether the same are actually received by said company in this state or elsewhere. Beginning January 1, 1987, each domestic insurer shall pay its premium taxes on October 15, 1987, on an estimated basis of 50% of premiums received by such insurer in 1986 for business done in this state or, at the option of such insurer, based on its actual business done in this state from January 1 through June 30, 1987. On March 1, 1988, each domestic insurer shall remit with its premium tax return, the remainder of the premium taxes due on actual business done in this state during the preceding calendar year, 1987. Beginning January 1, 1988, and all years thereafter, each domestic insurer shall pay its premium taxes on a quarterly basis as follows: the May 15 payment shall be estimated on 25% of its business done in this state during the preceding calendar year or, at the option of such insurer, based on its actual business done in this state from January 1 through March 31 of the same calendar year; the August 15 payment shall be estimated on 25% of its business done in this state during the preceding calendar year or, at the option of such insurer, based on its actual business done in this state from April 1 through June 30 of the same calendar year; the November 15 payment shall be estimated on 25% of its business done in this state during the preceding calendar year or, at the option of such insurer, based on its actual business done in this state from July 1 through September 30 of the same calendar year and the March 1 payment shall be in the amount of the remainder of the actual premium taxes due on its business done in this state during the preceding calendar year. Every authorized insurer shall file with the commissioner a statement, in form as furnished or approved by him, setting forth the total amount of premiums and annuity considerations received by it for business done in this state during the period covered by the tax payment, except as to wet marine and transportation insurance as defined in section 27-5-8. The statement shall be verified by the affidavit of an officer of the insurer having knowledge of the facts. It is the intent and meaning of this section that any taxes paid based on an estimated basis for the preceding calendar year shall be reconciled to actual premiums collected in this state for a calendar year on the March 1 payment date of the succeeding calendar year. Further, that the premium taxes on premiums collected during the first and second six-month periods of calendar year 1987, shall be paid in the manner specifically provided in this section.

(b) Any such tax so determined shall be subject to credit and deduction of the full amount, with 25% of the full amount paid, or estimated to be paid, being credited or deducted on each quarterly payment date, for:

(1) All ad valorem taxes paid by the insurer for the tax year preceding the filing of the return required by this section upon any
building and real estate in the state of Alabama owned and occupied, in whole or in part, by the insurer for the full period of such tax year as its principal office in the state of Alabama;

(2) All ad valorem taxes paid by the insurer for the tax year preceding the filing of the return required by this section upon all other real estate and improvements thereon in this state owned and at least 50 percent occupied by the insurer for the full period of such tax year;

(3) All license fees and taxes paid to any county in this state during the year preceding the filing of the return required by this section for the privilege of engaging in the business of insurance within said county;

(4) All expenses of examination of the insurer by the commissioner;

(5) All license or privilege taxes on lists of securities paid by the insurer under the provisions of section 40-24-8 during the tax year preceding the filing of the return required by this section; and

(6) All franchise taxes paid by the insurer under the provisions of section 40-14-40 for the tax year preceding the filing of the return required by this section.

(7) It is the intent of this section that any estimated allowable deductions be reconciled to actual expenditures made during the calendar year next preceding the filing of the tax return and necessary adjustments reflected in the tax payment due March 1. Credit taken against taxes due for the six-month period ending June 30, 1987, and payable on October 15, 1987, will be in the amount of one-half of deductible expenses paid or estimated to be paid, and the remainder of any such expenses paid during calendar year 1987 will be reflected in the premium tax return due March 1, 1988.

(c) The premium taxes collected under this section shall be deposited in the state treasury and credited as follows:

(1) To the credit of the state general fund:
   a. Fifty percent of premium tax on domestic life insurers;
   b. No part of premium tax on nonprofit corporations organized pursuant to the provisions of section 10-4-100 et seq.; and
   c. Twenty-five percent of premium tax on all other domestic insurers; and

(2) To the credit of the Alabama special educational trust fund:
   a. Fifty percent of premium tax on domestic life insurers;
b. One hundred percent of premium tax on nonprofit corporations organized pursuant to the provisions of section 10-4-100 et seq.; and

c. Seventy-five percent of premium tax on all other domestic insurers.

(d) Every domestic insurer, anything in this chapter to the contrary notwithstanding, shall be exempt from and not required to pay any premium tax for or on account of any premiums or annuity considerations for hospital, medical, surgical or other health care benefits supplementary to Medicare and Medicaid received by it for or on account of business done in this state, whether the same are actually received in this state or elsewhere.”

Section 3. If any provisions, paragraph or part of this Act shall be declared invalid, unconstitutional, or void the balance of said Act shall remain in full force and effect.

Section 4. All laws and parts of laws, in conflict with this Act, are hereby expressly repealed.

Section 5. This Act shall become effective immediately upon its passage and approval by the governor, or upon its otherwise becoming a law.

Approved June 30, 1987

Time: 5:30 P.M.

I hereby certify that the foregoing copy of an Act of the Legislature of Alabama has been compared with the enrolled Act and it is a true and correct copy thereof.

Given under my hand this 1st day of July, 1987.

JOHN W. PEMBERTON
Clerk of the House