

LEGISLATIVE BILL 855

Approved by the Governor April 8, 1988

Introduced by Ashford, 6

AN ACT relating to insurance companies; to amend section 77-907, Reissue Revised Statutes of Nebraska, 1943, and section 77-202, Revised Statutes Supplement, 1987; to provide for an assessment; to exempt annuity contracts from taxation as prescribed; to redefine a term; to provide an operative date; to repeal the original sections; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. Due to the enactment of this legislative bill, the Legislature hereby finds and declares that there will be a loss in revenue to the state and its political subdivisions of approximately two hundred and fifteen thousand dollars per year from the elimination of premium tax on non-tax-qualified annuities for the next three years, until the growth, new employment, and investment contemplated in such bill result in sufficient additional revenue to the state and its political subdivisions to replace such lost revenue.

Sec. 2. For the purpose of providing the funds necessary to replace the lost revenue described in section 1 of this act, the Director of Insurance shall make an assessment of two hundred and fifteen thousand dollars per year for the years 1988, 1989, and 1990 against those Nebraska domestic life insurance companies that write non-tax-qualified annuities. Assessments shall be made by the director proportionately to each Nebraska domestic annuity writer based on its proportionate share of the total premium tax and retaliatory tax savings that the elimination of the premium tax on non-tax-qualified annuities provides to all of the Nebraska domestic annuity writers each year. The director shall approve the schedule on which the tax savings shall be reported. The schedule reporting the tax savings shall be filed with the director by March 15 in the year immediately following the year for which the tax savings is reported. The director shall make the assessment by April 1 of the same year, and such assessment shall be due April 15 of the same year. The funds generated pursuant to this section shall be

disbursed by the Director of Insurance in the same manner as provided in sections 77-912 and 77-913.

Sec. 3. That section 77-202, Revised Statutes Supplement, 1987, be amended to read as follows:

77-202. (1) The following property shall be exempt from taxes:

(a) The property of the state and its governmental subdivisions;

(b) Property owned by and used exclusively for agricultural and horticultural societies;

(c) Property owned by educational, religious, charitable, or cemetery organizations and used exclusively for educational, religious, charitable, or cemetery purposes, when such property is not (i) owned or used for financial gain or profit to either the owner or user, (ii) used for the sale of alcoholic liquors for more than twenty hours per week, or (iii) owned or used by an organization which discriminates in membership or employment based on race, color, or national origin. For purposes of this subdivision, educational organization shall mean an institution operated exclusively for the purpose of offering regular courses with systematic instruction in academic, vocational, or technical subjects or a museum or historical society operated exclusively for the benefit and education of the public, and charitable organization shall mean an organization operated exclusively for the purpose of the mental, social, or physical benefit of the public or an indefinite number of persons; and

(d) Household goods and personal effects when such property is not owned or used for financial gain or profit to either the owner or user.

(2) The increased value of land by reason of shade and ornamental trees planted along the highway shall not be taken into account in the assessment of such land.

(3) The premiums received by any insurance company authorized to do business in this state on all annuity contracts and pension, profit-sharing, and other employee benefit plans which are described in section 865(d)(1) 818(a) of the Internal Revenue Code of 1954 1986, as amended, as of January 17, 1965, shall be exempt from taxes.

(4) Life insurance and life insurance annuity contracts and any payment connected therewith and any right to pension or retirement payments shall be exempt from the intangible tax.

(5) Vehicles registered under section 60-305.09 and paying the registration fees prescribed in

such section shall be exempt from payment of ad valorem taxes.

(6) Agricultural income-producing machinery and equipment shall be exempt from the personal property tax except: (a) Motor vehicles, as defined in section 60-301; (b) property assessed by the Tax Commissioner as provided in sections 77-601 to 77-633; (c) property owned by parties deemed public service entities subject to the provisions of sections 77-801 to 77-803; and (d) any building or fixture, whether permanently attached to the land or not.

(7) Business inventory shall be exempt from the personal property tax.

(8) Feed, fertilizer, and farm inventory shall be exempt from the personal property tax.

(9) Grain, seed, livestock, poultry, fish, honeybees, and fur-bearing animals shall be exempt from the personal property tax.

(10) Any personal property exempt pursuant to subsection (2) of section 77-4105 shall be exempt from the personal property tax.

Sec. 4. That section 77-907, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

77-907. As used in Chapter 77, article 9, unless the context otherwise requires:

(1) Domestic, foreign, and alien insurance companies shall have the meanings as set forth in section 44-103 and shall include reciprocal or interinsurance exchanges and their designated attorneys-in-fact as defined in Chapter 44, article 12;

(2) Department shall mean the Department of Insurance;

(3) Director shall mean Director of Insurance;

(4) Premiums shall mean the consideration paid to insurance companies for insurance and shall include policy fees, assessments, dues, or other similar payments, except that premiums on all annuity contracts and pension, profit-sharing, individually sponsored retirement plans, and other pension plan contracts which are described in section 818(a) of the Internal Revenue Code of 1954 1986, as amended, shall be exempt from taxation;

(5) License shall mean certificate of authority as contemplated by section 44-105; and

(6) Direct writing shall mean insurance as defined in section 44-102, but shall not include reinsurance as defined in section 44-103.

Sec. 5. This act shall become operative for

all taxable years beginning or deemed to begin on or after January 1, 1988.

Sec. 6. That original section 77-907, Reissue Revised Statutes of Nebraska, 1943, and section 77-202, Revised Statutes Supplement, 1987, are repealed.

Sec. 7. Since an emergency exists, this act shall be in full force and take effect, from and after its passage and approval, according to law.