

Reported Recommending
 Ind. Postponed
 Passed House
 Failed to Pass House
 Passed Senate
 Failed to Pass Senate

House File 194

February 3, 1947.
 Insurance.

By LANGLAND, PIEPER, ANDERSON,
 HUSTON, LONG, OLSON, LOSS,
 DATISMAN, GANNAWAY, BASS,
 NORLAND.

A BILL FOR

An Act relating to premium taxes to be paid by insurance
 companies and associations other than life.

Be It Enacted by the General Assembly of the State of Iowa:

1 Section 1. Section five hundred fifteen point one hundred
 2 thirty-seven (515.137), Code 1946, is amended by inserting after
 3 the word "two" in line eleven (11) the words "and one-half".

1 Sec. 2. Section five hundred eighteen point thirty-five
 2 (518.35), Code 1946, is amended by striking from line five (5)
 3 the word "two" and by substituting in lieu thereof the word
 4 "one", and by inserting after the word "deducting" in line
 5 eleven (11) the words "the amount actually paid for losses on
 6 property located within this state, and".

1 Sec. 3. Section five hundred twenty point nineteen
 2 (520.19), Code 1946, is amended by striking from line seven (7)
 3 the word "two" and substituting in lieu thereof the word "one",
 4 and by inserting after the word "two" in line eight (8) the
 5 words "and one-half", and by striking the period (.) following
 6 the word "state" in line eighteen (18) and substituting in
 7 lieu thereof the following: " , provided that domestic reciprocal

8 organizations may also deduct the amount actually paid for losses
9 on property located within this state, or on claims arising
10 within this state.”

1 Sec. 4. Section four hundred thirty-two point one
2 (432.1), Code 1946, is amended by inserting after the word
3 “Two” in line thirty-one (31) the words “and one-half”, and
4 by inserting after the word “life” in line thirty-four (34)
5 the following: “which company or association is not organized
6 under the laws of the state of Iowa,” and by adding a third
7 subsection to said section as follows:

8 “3. One percent (1%) of gross amount of premiums,
9 assessments, and fees received during the preceding calendar
10 year by every such company or association other than life, which
11 company or association is organized under the laws of the state
12 of Iowa, for business done in this state, including all
13 business upon property situated in this state, after deducting
14 the amount actually paid for losses on property located within
15 the state, or on claims arising within the state, and the
16 amount returned upon canceled policies, certificates and rejected
17 applications covering property situated or on business done
18 within this state. Business written in this state shall include
19 policies upon which no premium tax shall have been paid in any
20 other state, issued to non-residents of this state by companies
21 or associations organized under the laws of this state, which
22 companies or associations are not subject to the jurisdiction
23 of the courts of the state of the policy holder’s residence.”

1 Sec. 5. Section four hundred thirty-two point two (432.2),
2 Code 1946, is amended by inserting after the word “imposed” in
3 line two (2) the words “with respect to life insurance companies
4 and associations”, and by inserting after the word “all” in line
5 four (4) the word “life”.

1 Sec. 6. If, by the existing or future laws of any state,
2 an insurance company or association of this state other than
3 life, or its agents, shall be required to make payment for
4 taxes greater than are required or imposed by the laws of the
5 state of Iowa relating to insurance companies or associations
6 other than life from or under similar companies or associations
7 of such other states by the then existing laws of this state,
8 then and in every such case all similar companies and
9 associations of such states shall be and they are hereby required
10 to pay to the commissioner of insurance for taxes an amount
11 equal to the amount of such payments.

1 Sec. 7. The rates of taxes as provided in this act shall
2 apply to all insurance companies and associations other than
3 life, as, of and for all business transacted by such companies
4 and associations, for the year nineteen hundred and forty-six
5 (1946) and thereafter, provided this act shall not apply to any
6 life insurance company or any business that it is authorized
7 to transact under the statutes of the state of Iowa.

1 Sec. 8. If any provisions of this act, or the application
2 of such provision to any person or circumstances, shall be held
3 invalid, the remainder of the act, and the application of such

4 provisions to persons or circumstances, other than those as to
5 which it is held invalid, shall not be affected thereby.

1 Sec. 9. This act being deemed of immediate importance
2 shall be in full force and effect from and after its publication
3 in the Decorah Public Opinion, a newspaper published at Decorah,
4 Iowa, and in The Ossian Bee, a newspaper published at Ossian,
5 Iowa.

EXPLANATION OF H. F. 194

Previous to the 1945 legislature, the Iowa tax on insurance premiums was 2½ per cent on foreign (non-Iowa) companies and 1 per cent on Iowa companies (not including county mutuals).

In 1944, the Supreme Court of the United States held that certain phases of the insurance business were subject to Federal regulation.

When the legislature met in 1945, it was advised that legality probably required that the rate of tax against foreign and Iowa companies be uniform. Not wishing to endanger, through possible litigation, the collection of insurance premium taxes, the 1945 legislature reduced the tax on foreign companies to 2 per cent and increased the levy on Iowa companies to 2 per cent.

The action of the 1945 legislature operated to decrease by 20 per cent the tax collections from foreign companies and operated to increase by as much as 400 per cent, the tax collections from Iowa companies.

In 1946, the Supreme Court of the United States squarely held that the various states may still validly tax foreign companies at a higher rate than domestic companies.

Thus, the legal compulsion which accounted for the action of the 1945 legislature no longer exists.

The proposed bill simply restores the tax rates which were in effect just prior to the 1945 legislature.

This bill affects fire, windstorm and casualty companies only. The tax on life insurance premiums is not involved.