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February 19, 2020

AS AMENDED

SENATE BILL NO. 1794

By: Thompson of the Senate

and

Wallace of the House

[Oklahoma Captive Insurance Company Act - tax rates
- Insurance Commissioner - schedule for allocation of
monies - effective date]

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 36 O.S. 2011, Section 6470.19, as last amended by Section 21, Chapter 298, O.S.L. 2015 (36 O.S. Supp. 2019, Section 6470.19), is amended to read as follows:

Section 6470.19. A. Each captive insurance company, other than a sponsored captive insurance company, and each protected cell of a sponsored captive insurance company, shall pay to the Insurance Department, by March 1 of each year, a tax at the rate of two-tenths of one percent (0.2%) on the direct premiums collected or contracted for on policies or contracts of insurance written by the captive insurance company during the year ending December 31 next preceding, after deducting from the direct premiums subject to the tax the amounts paid to policyholders as return premiums which shall include

1 dividends on unabsorbed premiums or premium deposits returned or
2 credited to policyholders up to a maximum tax for such year of One
3 Hundred Thousand Dollars (\$100,000.00); provided however, that no
4 tax shall be due or payable as to consideration received for annuity
5 contracts.

6 B. A captive insurance company, other than a sponsored captive
7 insurance company, and each protected cell of a sponsored captive
8 insurance company, shall pay to the Department, by March 1 of each
9 year, a tax at the rate of one-tenth of one percent (0.1%) of
10 assumed reinsurance premium. However, no reinsurance tax applies to
11 premiums for risks or portions of risks which are subject to
12 taxation on a direct basis pursuant to subsection A of this section.
13 A premium tax is not payable in connection with the receipt of
14 assets in exchange for the assumption of loss reserves and other
15 liabilities of another insurer under common ownership and control if
16 the transaction is part of a plan to discontinue the operations of
17 the other insurer and if the intent of the parties to the
18 transaction is to renew or maintain business with the captive
19 insurance company.

20 C. A sponsored captive insurance company shall pay to the
21 Department, by March 1 of each year, a tax on direct and assumed
22 premiums equal, in the aggregate, to the minimum tax provided in
23 subsection D of this section.
24

1 D. If the aggregate taxes to be paid by a captive insurance
2 company or a protected cell of a sponsored captive insurance company
3 calculated under subsections A and B of this section amount to less
4 than Five Thousand Dollars (\$5,000.00) in any year, the captive
5 insurance company or protected cell shall pay a minimum tax of Five
6 Thousand Dollars (\$5,000.00) for that year. However, in the
7 calendar year in which a captive is first licensed, or the protected
8 cell is approved by the Commissioner, the minimum tax will be
9 prorated on a quarterly basis. For those licensed in the first
10 quarter, the prorated minimum tax is Five Thousand Dollars
11 (\$5,000.00). For those licensed in the second quarter, the prorated
12 minimum tax is Three Thousand Seven Hundred Fifty Dollars
13 (\$3,750.00). For those licensed in the third quarter, the prorated
14 minimum tax is Two Thousand Five Hundred Dollars (\$2,500.00). For
15 those licensed in the fourth quarter, the prorated minimum tax is
16 One Thousand Two Hundred Fifty Dollars (\$1,250.00). In the calendar
17 year in which a captive is first licensed or the protected cell is
18 first approved by the Commissioner, if the aggregate taxes to be
19 paid calculated under subsections A and B of this section amount to
20 less than the minimum tax prorated on a quarterly basis, the captive
21 or protected cell shall pay the prorated minimum tax for that
22 calendar year.

23 E. Subject to subsections F, G and H of this section, if the
24 aggregate taxes on direct and assumed premiums to be paid by a

1 captive insurance company or a protected cell of a sponsored captive
2 insurance company calculated under subsections A and B of this
3 section amount to more than One Hundred Thousand Dollars
4 (\$100,000.00) in any year, the captive insurance company shall pay a
5 maximum tax of One Hundred Thousand Dollars (\$100,000.00) for that
6 year.

7 F. Two or more captive insurance companies under common
8 ownership and control must be taxed as though they were a single
9 captive insurance company. Two or more protected cells of a
10 sponsored captive insurance company that are related by common
11 ownership and control must be taxed as though they were a single
12 protected cell.

13 G. As used in this section, "common ownership and control"
14 means the direct or indirect ownership of eighty percent (80%) or
15 more of the outstanding voting stock or other voting interests of
16 two or more captive insurance companies or protected cells of a
17 sponsored captive insurance company by the same person or persons.

18 H. A captive insurance company that has employed twenty-five or
19 more separate qualified individuals throughout a given tax year and
20 that otherwise would be liable under this section for tax for such
21 year in an amount exceeding Fifty Thousand Dollars (\$50,000.00)
22 shall pay to the Commissioner under this section a tax for such year
23 in the amount of Fifty Thousand Dollars (\$50,000.00). For purposes
24 of this subsection, "qualified individual" means a natural person

1 employed in this state on a regular basis of thirty-five (35) or
2 more hours per week either by such captive insurance company, or by
3 a wholly-owned subsidiary of such captive insurance company that
4 provides captive insurance company management, operating, investment
5 or related services exclusively to such captive insurance company.

6 I. The tax provided for in this section constitutes all taxes
7 collectible under the laws of this state from a captive insurance
8 company or a protected cell of a sponsored captive insurance
9 company, and no other occupation tax or other taxes may be levied or
10 collected from a captive insurance company by the state or a county,
11 city, or municipality within this state, except ad valorem taxes on
12 real and personal property used in the production of income.

13 J. For the fiscal year beginning July 1, 2020, and for each
14 fiscal year thereafter, the Insurance Commissioner shall report and
15 disburse all of the fees and taxes collected under this section as
16 follows:

17 1. The first Five Hundred Thousand Dollars (\$500,000.00) as
18 follows:

19 a. Thirty-six percent (36%) shall be allocated and
20 disbursed for the Oklahoma Firefighters Pension and
21 Retirement Fund, in the manner provided for in
22 Sections 49-119, 49-120 and 49-123 of Title 11 of the
23 Oklahoma Statutes,

- 1 b. Fourteen percent (14%) shall be allocated and
2 disbursed to the Oklahoma Police Pension and
3 Retirement System pursuant to Sections 50-101 through
4 50-136 of Title 11 of the Oklahoma Statutes,
5 c. Five percent (5%) shall be allocated and disbursed to
6 the Law Enforcement Retirement Fund, and
7 d. The remaining forty-five percent (45%) shall be
8 allocated and disbursed to the State Treasurer to the
9 credit of the General Revenue Fund of the state to
10 provide revenue for general functions of state
11 government;

12 2. The next Two Hundred Fifty Thousand Dollars (\$250,000.00)
13 shall be deposited into the State Insurance Commissioner Revolving
14 Fund and shall be retained for use by the Department for the
15 purposes of implementing and administering the Oklahoma Captive
16 Insurance Company Act and any accompanying regulations;

17 3. Any collections above Seven Hundred Fifty Thousand Dollars
18 (\$750,000.00) as follows:

- 19 a. Thirty-six percent (36%) shall be allocated and
20 disbursed for the Oklahoma Firefighters Pension and
21 Retirement Fund, in the manner provided for in
22 Sections 49-119, 49-120 and 49-123 of Title 11 of the
23 Oklahoma Statutes,
24

- 1 b. Fourteen percent (14%) shall be allocated and
2 disbursed to the Oklahoma Police Pension and
3 Retirement System pursuant to the provisions of
4 Sections 50-101 through 50-136 of Title 11 of the
5 Oklahoma Statutes,
- 6 c. Five percent (5%) shall be allocated and disbursed to
7 the Law Enforcement Retirement Fund,
- 8 d. Fifteen percent (15%) shall be allocated and disbursed
9 to the State Treasurer to the credit of the General
10 Revenue Fund of the state to provide revenue for
11 general functions of state government, and
- 12 e. Thirty percent (30%) shall be deposited into the State
13 Insurance Commissioner Revolving Fund and shall be
14 retained for use by the Department for the purposes of
15 implementing and administering the Oklahoma Captive
16 Insurance Company Act and any accompanying
17 regulations.

18 SECTION 2. This act shall become effective November 1, 2020.

19 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS
20 February 19, 2020 - DO PASS AS AMENDED
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