
By: Delegates Campbell, Taylor, Hurson, Conway, Heller, Arnick, Barve, Boston, Marriott, Franchot, Curran, Exum, Hixson, Goldwater, and Rawlings

Introduced and read first time: January 27, 1997

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance Premiums Tax - For-Profit Health Maintenance Organizations**

3 FOR the purpose of imposing the insurance premiums tax on for-profit health
4 maintenance organizations; providing that premiums to be taxed include certain
5 amounts paid to a for-profit health maintenance organization; providing for the
6 application of this Act; and generally relating to the imposition of the insurance
7 premiums tax on for-profit health maintenance organizations.

8 BY repealing and reenacting, with amendments,
9 Article - Health - General
10 Section 19-727
11 Annotated Code of Maryland
12 (1996 Replacement Volume and 1996 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article - Insurance
15 Section 6-101, 6-102(b), and 6-104(a)(4)
16 Annotated Code of Maryland
17 (1995 Volume and 1996 Supplement)
18 (As enacted by Chapters 36 and 352 of the Acts of the General Assembly of 1995)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article - Health - General**

22 19-727.

23 (a) Except as provided in subsection (b) of this section, a health maintenance
24 organization is not exempted from any State, county, or local taxes solely because of this
25 subtitle.

26 (b) (1) Each NONPROFIT health maintenance organization that is authorized to
27 operate under this subtitle is exempted from paying the premium tax imposed under
28 Article 48A, § 632 of the Code.

2

1 (2) Premiums received by an insurer under policies that provide health
2 maintenance organization benefits are not subject to the premium tax imposed under
3 Article 48A, § 632 of the Code to the extent:

4 (i) Of the amounts actually paid by the insurer to a nonprofit health
5 maintenance organization that operates only as a health maintenance organization; or

6 (ii) The premiums have been paid by that nonprofit health
7 maintenance organization.

8 **Article - Insurance**

9 6-101.

10 (a) The following persons are subject to taxation under this subtitle:

11 (1) a person engaged as principal in the business of writing insurance
12 contracts, surety contracts, guaranty contracts, or annuity contracts;

13 (2) EXCEPT AS PROVIDED IN SUBSECTION (B)(3) OF THIS SECTION, A
14 HEALTH MAINTENANCE ORGANIZATION AUTHORIZED BY TITLE 19, SUBTITLE 7 OF
15 THE HEALTH - GENERAL ARTICLE;

16 [(2)] (3) an attorney in fact for a reciprocal insurer;

17 [(3)] (4) the Maryland Automobile Insurance Fund; and

18 [(4)] (5) a credit indemnity company.

19 (b) The following persons are not subject to taxation under this subtitle:

20 (1) a nonprofit health service plan corporation;

21 (2) a fraternal benefit society;

22 (3) a NONPROFIT health maintenance organization authorized by Title 19,
23 Subtitle 7 of the Health - General Article THAT IS EXEMPT FROM TAXATION UNDER
24 THE INTERNAL REVENUE CODE;

25 (4) a surplus lines broker, who is subject to taxation in accordance with Title
26 3, Subtitle 3 of this article; or

27 (5) an unauthorized insurer, who is subject to taxation in accordance with
28 Title 4, Subtitle 2 of this article.

29 6-102.

30 (b) Premiums to be taxed include:

31 (1) the consideration for a surety contract, guaranty contract, or annuity
32 contract;

33 (2) SUBSCRIPTION CHARGES OR OTHER AMOUNTS PAID TO A
34 FOR-PROFIT HEALTH MAINTENANCE ORGANIZATION ON A PREDETERMINED
35 PERIODIC RATE BASIS BY A PERSON OTHER THAN A PERSON SUBJECT TO THE TAX

3
1 UNDER THIS SUBTITLE AS COMPENSATION FOR PROVIDING HEALTH CARE SERVICES
2 TO MEMBERS;

3 [(2)] (3) dividends on life insurance policies that have been applied to buy
4 additional insurance or to shorten the period during which a premium is payable; and

5 [(3)] (4) the part of the gross receipts of a title insurer that is derived from
6 insurance business or guaranty business.

7 6-104.

8 (a) Subject to subsection (b) of this section, in computing the tax under this
9 section, the following deductions from gross direct premiums allocable to the State are
10 allowed:

11 (4) premiums received by a person subject to taxation under this subtitle
12 under policies providing health maintenance organization benefits to the extent:

13 (i) of the amounts actually paid by the person to a nonprofit health
14 maintenance organization authorized by Title 19, Subtitle 7 of the Health - General
15 Article that operates only as a health maintenance organization that is exempt from taxes
16 under § 19-727(b) of the Health - General Article; or

17 (ii) that the premiums have been paid by a NONPROFIT health
18 maintenance organization that is exempt from taxes under § 19-727(b) of the Health -
19 General Article.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 October 1, 1997 and shall be applicable to taxable years beginning after December 31,
22 1997.