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By: **Delegates Hixson, Rawlings, C. Davis, Gordon, and Healey**  
Introduced and read first time: February 7, 2003  
Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

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

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

8 BY repealing and reenacting, with amendments,  
9 Article - Health - General  
10 Section 19-727  
11 Annotated Code of Maryland  
12 (2000 Replacement Volume and 2002 Supplement)

13 BY repealing and reenacting, with amendments,  
14 Article - Insurance  
15 Section 6-101, 6-102(b), and 6-104(a)  
16 Annotated Code of Maryland  
17 (1997 Volume and 2002 Supplement)

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

20 **Article - Health - General**

21 19-727.

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

25 [(b) (1) Each health maintenance organization that is authorized to operate  
26 under this subtitle is exempted from paying the premium tax imposed under Title 6,  
27 Subtitle 1 of the Insurance Article.

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 Title 6, Subtitle 1 of the Insurance Article to the extent:

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

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

9 **Article - Insurance**

10 6-101.

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

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

14 (2) A HEALTH MAINTENANCE ORGANIZATION AUTHORIZED BY TITLE 19,  
 15 SUBTITLE 7 OF THE HEALTH - GENERAL ARTICLE;

16 (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 that meets the  
 21 requirements established under §§ 14-106 and 14-107 of this article;

22 (2) a fraternal benefit society;

23 (3) [a health maintenance organization authorized by Title 19, Subtitle  
 24 7 of the Health - General Article;

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

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

29 [(6)] (5) the Short-Term Prescription Drug Subsidy Plan created under  
 30 Title 15, Subtitle 6 of the Health - General Article.

31 6-102.

32 (b) Premiums to be taxed include:

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

3 (2) SUBSCRIPTION CHARGES OR OTHER AMOUNTS PAID TO A HEALTH  
4 MAINTENANCE ORGANIZATION ON A PREDETERMINED PERIODIC RATE BASIS BY A  
5 PERSON OTHER THAN A PERSON SUBJECT TO THE TAX UNDER THIS SUBTITLE AS  
6 COMPENSATION FOR PROVIDING HEALTH CARE SERVICES TO MEMBERS;

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

9 [(3)] (4) the part of the gross receipts of a title insurer that is derived  
10 from insurance business or guaranty business.

11 6-104.

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

15 (1) returned premiums, not including surrender values;

16 (2) dividends that are:

17 (i) paid or credited to policyholders; or

18 (ii) applied to buy additional insurance or to shorten the period  
19 during which premiums are payable; AND

20 (3) returns or refunds made or credited to policyholders because of  
21 retrospective ratings or safe driver rewards[; and

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

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

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

31 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding any  
32 other provision of law, and except as otherwise provided in this Section, this Act  
33 applies to premiums written for all policies, contracts, and health benefit plans  
34 issued, delivered, or renewed in the State on or after July 1, 2003. This Section does  
35 not apply to premiums written for health benefit plans issued, delivered, or renewed

1 in the State before July 1, 2003. Any health benefit plan in effect before July 1, 2003,  
2 shall comply with the provisions of this Act no later than July 1, 2004.

3 SECTION 3. AND BE IT FURTHER ENACTED, That, subject to the provisions  
4 of Section 2 this Act, this Act shall take effect July 1, 2003.