



SB 890

Insurance - Captive Insurers - Premium Receipts Tax Moratorium and Study

Position: OPPOSE

Dear Chair Wilkins and Members of the Way and Means Committee,

My name is Ricarra Jones and I am the Political Director for 1199SEIU United Healthcare Workers East, Maryland/DC. We are the largest healthcare workers union in the nation, representing 10,000 members in our region. SB 890 would grant retroactive tax immunity to 16 offshore insurance companies holding \$3.17 billion in assets — while Maryland cuts services and raises taxes on its residents. **Our union opposes SB 890 and urges the Committee to issue an unfavorable report.**

Under current law, Maryland Insurance Administration (MIA) collects a 3% tax on premiums charged by the insurance. The funds collected by MIA go into the General Fund. Neither the hospitals nor their offshore insurance companies have paid this tax for years. SB 890 rewards hospitals for locating their for-profit insurance subsidiaries off shore. The current law imposes a mere 1% surcharge for operating off shore, but if SB 890 becomes law, these Cayman Islands insurance company subsidiaries would owe a 0% premium tax.

Nearly all of Maryland's major nonprofit hospital systems have quietly operated for-profit insurance subsidiaries in the Cayman Islands for decades — shielding more than \$3 billion from Maryland taxes. Now, in the middle of a historic state budget crisis, they are asking the Maryland General Assembly to wipe out an estimated \$20–\$25 million in back taxes they owe. SB 890 also fails to account for the back taxes at the end of the 2 years moratorium. 1199SEIU believes nonprofit hospitals can and should pay what they owe.

SB 890's proposed study language is deeply flawed because it fails to account for the impact this will have on all relevant stakeholders – especially consumer advocates and health care workers. SB 890 protects hospitals bottom lines while being fiscally irresponsible given the structural deficit which is likely to grow in the next two years. No other state has taken action like this. While other states are actively working to collect hospitals' premium receipt tax, Maryland establishes that nonprofit hospitals are above the law. For these reasons and more, we urge an unfavorable report.

Sincerely,

Ricarra Jones
Political Director
1199 SEIU United Healthcare Workers East