

Assembly Bill No. 3—Committee of the Whole

CHAPTER.....

AN ACT relating to commerce; limiting certain credits which may be used against an insurer's liability for the general tax on insurance premiums for a certain period and eliminating those credits after that period; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law requires each insurer to pay to the Department of Taxation a tax upon net direct premium and net direct considerations written at the rate of 3.5 percent. (NRS 680B.027) Existing law authorizes a domestic or foreign insurer which owns and substantially occupies and uses any building in this State as its home office or as a regional home office to take as credits against the general tax on insurance premiums otherwise imposed: (1) an amount equal to 50 percent of the aggregate amount of the tax; and (2) an amount equal to the full amount of ad valorem taxes paid by the insurer upon the home office or regional home office. (NRS 680B.050, 680B.055) Beginning January 1, 2016, **section 2** of this bill limits the amount of the credit that may be provided to such insurers to not more than \$5,000,000 in the aggregate for all insurers. **Section 2** further provides a calculation to determine the pro rata amount of the total credits to which each insurer is entitled. **Sections 1, 3 and 4** of this bill completely eliminate the credits which an insurer may take against the general tax on insurance premiums beginning January 1, 2021.

EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. NRS 680B.027 is hereby amended to read as follows:

680B.027 1. Except as otherwise provided in NRS 680B.033, 680B.0353 ~~†—680B.050†~~ and 690C.110, for the privilege of transacting business in this State, each insurer shall pay to the Department of Taxation a tax upon his or her net direct premiums and net direct considerations written at the rate of 3.5 percent.

2. The tax must be paid in the manner required by NRS 680B.030 and 680B.032.

3. The Commissioner or the Executive Director of the Department of Taxation may require at any time verified supplemental statements with reference to any matter pertinent to the proper assessment of the tax.

Sec. 2. NRS 680B.050 is hereby amended to read as follows:

680B.050 1. Except as otherwise provided in this section, a domestic or foreign insurer, including, without limitation, an insurer



that is exempt from federal taxation pursuant to 26 U.S.C. § 501(c)(29), which owns and substantially occupies and uses any building in this state as its home office or as a regional home office is entitled to ~~the following credits~~ **a credit** against the tax otherwise imposed by NRS 680B.027 ~~in an amount determined pursuant to subsections 2 and 3.~~

2. To determine the amount of the credit to which an insurer is entitled, the insurer must first calculate:

(a) An amount equal to 50 percent of the aggregate amount of the tax as determined under NRS 680B.025 to 680B.039, inclusive; and

(b) An amount equal to the full amount of ad valorem taxes paid by the insurer during the calendar year next preceding the filing of the report required by NRS 680B.030, upon the home office or regional home office together with the land, as reasonably required for the convenient use of the office, upon which the home office or regional home office is situated.

~~These credits must not reduce the amount of tax payable to less than 20 percent of the tax otherwise payable by the insurer under NRS 680B.027.~~

~~2.~~

3. The total aggregate amount of credits that may be applied by all insurers pursuant to subsection 1 must not exceed \$5,000,000 and must be allocated to each insurer on a pro rata basis by determining the percentage of the total amount calculated for all insurers pursuant to subsection 2 that is allocable to each insurer.

4. As used in this section, a “regional home office” means an office of the insurer performing for an area covering two or more states, with a minimum of 25 employees on its office staff, the supervision, underwriting, issuing and servicing of the insurance business of the insurer.

~~3.~~ **5.** The insurer shall, on or before March 15 of each year, furnish proof to the satisfaction of the Executive Director of the Department of Taxation, on forms furnished by or acceptable to the Executive Director, as to its entitlement to the tax reduction provided for in this section. A determination of the Executive Director of the Department of Taxation pursuant to this section is not binding upon the Commissioner for the purposes of NRS 682A.240.

~~4.~~ **6.** An insurer is not entitled to the credits provided in this section unless:



(a) The insurer owned the property upon which the reduction is based for the entire year for which the reduction is claimed; and

(b) The insurer occupied at least 70 percent of the usable space in the building to transact insurance or the insurer is a general or limited partner and occupies 100 percent of its ownership interest in the building.

~~15.1~~ **7.** If two or more insurers under common ownership or management and control jointly own in equal interest, and jointly occupy and use such a home office or regional home office in this state for the conduct and administration of their respective insurance businesses as provided in this section, each of the insurers is entitled to the credits provided for by this section if otherwise qualified therefor under this section.

~~16.1~~ **8.** For the purposes of subsection 1, any insurer that is exempt from federal taxation pursuant to 26 U.S.C. § 501(c)(29) and is restricted or prohibited from purchasing or owning real property pursuant to a contract with the Federal Government, including any entity thereof, shall be deemed to own any portion of any real property that the insurer occupies. The provisions of this subsection expire upon the expiration, cancellation, repayment or any other termination of the contract restricting or prohibiting such purchase or ownership.

Sec. 3. NRS 680B.050 and 680B.055 are hereby repealed.

Sec. 4. 1. This section and section 2 of this act become effective on January 1, 2016.

2. Sections 1 and 3 of this act become effective on January 1, 2021.



