

SENATE BILL NO. 46—COMMITTEE ON REVENUE

(ON BEHALF OF THE GOVERNOR)

PREFILED DECEMBER 15, 2010

Referred to Committee on Revenue

SUMMARY—Allocates a portion of revenue from the premium tax on captive insurance to the Commission on Economic Development for promotion of the captive insurance industry. (BDR 57-411)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: Yes.

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

AN ACT relating to insurance; allocating a portion of the tax on the premiums of captive insurers to the Commission on Economic Development to promote the captive insurance industry; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

- 1 Existing law requires a captive insurer to pay to the Division of Insurance of
- 2 the Department of Business and Industry a tax on the premiums it collects. Twenty-
- 3 five percent of this tax is allocated to the Account for the Regulation and
- 4 Supervision of Captive Insurers created by NRS 694C.460 and the remaining 75
- 5 percent is allocated to the State General Fund. (NRS 694C.450) Existing law also
- 6 allows up to 2 percent of the 25 percent of the tax allocated to the Account to be
- 7 transferred to an agency for economic development to promote the industry of
- 8 captive insurance in this State. (NRS 694C.460)
- 9 **Section 1** of this bill revises the distribution of the premium tax by: (1)
- 10 allocating 2 percent of the total amount of the tax directly to the Commission on
- 11 Economic Development to promote the industry of captive insurance in this State;
- 12 and (2) reducing the allocation to the State General Fund from 75 percent to 73
- 13 percent of the total amount of the tax. **Section 2** of this bill eliminates the existing
- 14 provision that allows for the transfer of money from the Account for the Regulation
- 15 and Supervision of Captive Insurers to an agency for economic development.
- 16 **Section 3** of this bill requires the Commission on Economic Development to
- 17 promote the industry of captive insurance in Nevada.



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

1 **Section 1.** NRS 694C.450 is hereby amended to read as
2 follows:

3 694C.450 1. Except as otherwise provided in this section, a
4 captive insurer shall pay to the Division, not later than March 1 of
5 each year, a tax at the rate of:

6 (a) Two-fifths of 1 percent on the first \$20,000,000 of its net
7 direct premiums;

8 (b) One-fifth of 1 percent on the next \$20,000,000 of its net
9 direct premiums; and

10 (c) Seventy-five thousandths of 1 percent on each additional
11 dollar of its net direct premiums.

12 2. Except as otherwise provided in this section, a captive
13 insurer shall pay to the Division, not later than March 1 of each
14 year, a tax at a rate of:

15 (a) Two hundred twenty-five thousandths of 1 percent on the
16 first \$20,000,000 of revenue from assumed reinsurance premiums;

17 (b) One hundred fifty thousandths of 1 percent on the next
18 \$20,000,000 of revenue from assumed reinsurance premiums; and

19 (c) Twenty-five thousandths of 1 percent on each additional
20 dollar of revenue from assumed reinsurance premiums.

21 ↳ The tax on reinsurance premiums pursuant to this subsection
22 must not be levied on premiums for risks or portions of risks which
23 are subject to taxation on a direct basis pursuant to subsection 1. A
24 captive insurer is not required to pay any reinsurance premium tax
25 pursuant to this subsection on revenue related to the receipt of assets
26 by the captive insurer in exchange for the assumption of loss
27 reserves and other liabilities of another insurer that is under
28 common ownership and control with the captive insurer, if the
29 transaction is part of a plan to discontinue the operation of the other
30 insurer and the intent of the parties to the transaction is to renew or
31 maintain such business with the captive insurer.

32 3. If the sum of the taxes to be paid by a captive insurer
33 calculated pursuant to subsections 1 and 2 is less than \$5,000 in any
34 given year, the captive insurer shall pay a tax of \$5,000 for that
35 year. The maximum aggregate tax for any year must not exceed
36 \$175,000. The maximum aggregate tax to be paid by a sponsored
37 captive insurer applies only to each protected cell and does not
38 apply to the sponsored captive insurer as a whole.

39 4. Two or more captive insurers under common ownership and
40 control must be taxed as if they were a single captive insurer.

41 5. Notwithstanding any specific statute to the contrary and
42 except as otherwise provided in this subsection, the tax provided for



1 by this section constitutes all the taxes collectible pursuant to the
2 laws of this State from a captive insurer, and no occupation tax or
3 other taxes may be levied or collected from a captive insurer by this
4 State or by any county, city or municipality within this State, except
5 for taxes imposed pursuant to chapter 363A or 363B of NRS and ad
6 valorem taxes on real or personal property located in this State used
7 in the production of income by the captive insurer.

8 6. Twenty-five percent of the revenues collected from the tax
9 imposed pursuant to this section must be deposited with the State
10 Treasurer for credit to the Account for the Regulation and
11 Supervision of Captive Insurers created ~~pursuant to~~ by NRS
12 694C.460. *Two percent of the revenues collected from the tax*
13 *imposed pursuant to this section must be deposited with the State*
14 *Treasurer for credit to the Commission on Economic Development*
15 *to promote the industry of captive insurance in this State.* The
16 remaining ~~75~~ 73 percent of the revenues collected must be
17 deposited with the State Treasurer for credit to the State General
18 Fund.

19 7. A captive insurer that is issued a license pursuant to this
20 chapter after July 1, 2003, is entitled to receive a nonrefundable
21 credit of \$5,000 applied against the aggregate taxes owed by the
22 captive insurer for the first year in which the captive insurer incurs
23 any liability for the payment of taxes pursuant to this section. A
24 captive insurer is entitled to a nonrefundable credit pursuant to this
25 section not more than once after the captive insurer is initially
26 licensed pursuant to this chapter.

27 8. As used in this section, unless the context otherwise
28 requires:

29 (a) "Common ownership and control" means:

30 (1) In the case of a stock insurer, the direct or indirect
31 ownership of 80 percent or more of the outstanding voting stock of
32 two or more corporations by the same member or members.

33 (2) In the case of a mutual insurer, the direct or indirect
34 ownership of 80 percent or more of the surplus and the voting power
35 of two or more corporations by the same member or members.

36 (b) "Net direct premiums" means the direct premiums collected
37 or contracted for on policies or contracts of insurance written by a
38 captive insurer during the preceding calendar year, less the amounts
39 paid to policyholders as return premiums, including dividends on
40 unabsorbed premiums or premium deposits returned or credited to
41 policyholders.

42 **Sec. 2.** NRS 694C.460 is hereby amended to read as follows:

43 694C.460 1. There is hereby created in the State General
44 Fund an Account for the Regulation and Supervision of Captive
45 Insurers. Money in the Account must be used only to carry out the



1 provisions of this chapter or for any other purpose authorized by the
2 Legislature. Except as otherwise provided in NRS 680C.110 and
3 694C.450, all fees and assessments received by the Commissioner
4 or Division pursuant to this chapter must be credited to the Account.
5 ~~[Not more than 2 percent of the tax collected and deposited in the~~
6 ~~Account pursuant to NRS 694C.450, may, upon application by~~
7 ~~the Division or an agency for economic development to, and with~~
8 ~~the approval of, the Interim Finance Committee, be transferred to an~~
9 ~~agency for economic development to be used by that agency to~~
10 ~~promote the industry of captive insurance in this State.~~

11 ~~— 2. Except as otherwise provided in this section, all]~~

12 2. All payments from the Account for the maintenance of staff
13 and associated expenses, including contractual services, as
14 necessary, must be disbursed from the State Treasury only upon
15 warrants issued by the State Controller, after receipt of proper
16 documentation of the services rendered and expenses incurred.

17 3. At the end of each fiscal year, that portion of the balance in
18 the Account which exceeds \$500,000 must be transferred to the
19 State General Fund.

20 4. The State Controller may anticipate receipts to the Account
21 and issue warrants based thereon.

22 **Sec. 3.** NRS 231.067 is hereby amended to read as follows:
23 231.067 The Commission on Economic Development shall:

24 1. Develop a State Plan for Industrial Development and
25 Diversification.

26 2. Except as otherwise provided in this subsection, promote,
27 encourage and aid the development of commercial, industrial,
28 agricultural, mining and other vital economic interests of this State,
29 except for travel and tourism. In a county whose population is less
30 than 50,000, the county may include community development and
31 the development of the nongaming recreation and tourism industry
32 in its economic development efforts.

33 3. Identify sources of financing to assist businesses and
34 industries which wish to locate or expand in Nevada.

35 4. Provide and administer grants of money to political
36 subdivisions of the State and to local or regional organizations for
37 economic development to assist them in promoting the advantages
38 of their communities, in expanding and retaining businesses in those
39 communities and in recruiting businesses to those communities.
40 Each recipient must provide an amount of money, at least equal to
41 the grant, for the same purpose, except in a county whose population
42 is less than 50,000, the Commission may, if convinced that the
43 recipient is financially unable to do so, provide such a grant with
44 less than equal matching money provided by the recipient.



1 5. Encourage and assist state, county and city agencies in
2 planning and preparing projects for community, economic and
3 industrial development and financing those projects with revenue
4 bonds or community development block grants.

5 6. Except as otherwise provided in this subsection, coordinate
6 and assist the activities of counties, cities, local and regional
7 organizations for economic development in the State which affect
8 economic and industrial development, except for travel and tourism.
9 In a county whose population is less than 50,000, the county may
10 include community development and the development of the
11 nongaming recreation and tourism industry in its economic
12 development efforts.

13 7. Arrange by cooperative agreements with local governments
14 to serve as the single agency in the State where relocating or
15 expanding businesses may obtain all required permits.

16 8. Promote close cooperation between public agencies and
17 private persons who have an interest in industrial development and
18 diversification in Nevada.

19 9. Organize and coordinate the activities of a group of
20 volunteers which will aggressively select and recruit businesses and
21 industries, especially small industries, to locate their offices and
22 facilities in Nevada.

23 10. *Promote the industry of captive insurance in Nevada.*

24 11. As used in this section, "community development block
25 grant" means a grant administered or made available by the United
26 States Department of Housing and Urban Development pursuant to
27 24 C.F.R. Part 570.

28 **Sec. 4.** This act becomes effective on July 1, 2011.



