

Second Regular Session
Seventy-second General Assembly
STATE OF COLORADO

DRAFT
10.10.19

BILL 1

LLS NO. 20-0224.01 Pierce Lively x2059

INTERIM COMMITTEE BILL

Tax Expenditure Evaluation Interim Study Committee

BILL TOPIC: "Fraternal Socy Insurance Premium Tax Exemption"

A BILL FOR AN ACT

101 **CONCERNING THE REPEAL OF THE INSURANCE PREMIUM TAX**
102 **EXEMPTION FOR FRATERNAL SOCIETIES.**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov/>.)

Tax Expenditure Evaluation Interim Study Committee. Under current law, the insurance premium tax exemption for fraternal societies states that fraternal benefit societies that offer insurance products to their members are exempt from the insurance premium tax. The bill repeals this exemption.

*Capital letters or bold & italic numbers indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Legislative declaration.** (1) The general assembly
3 finds and declares that:

4 (a) The insurance premium tax exemption for fraternal societies
5 states that fraternal benefit societies, social groups organized around a
6 common bond, that offer insurance products to their members are exempt
7 from the insurance premium tax.

8 (b) When the insurance premium tax exemption was enacted,
9 before the number of fraternal societies in the United States began to
10 decline in the 1930s, up to 40% of adult males in the United States were
11 members of one or more fraternal societies and fraternal societies wrote
12 half of all life insurance policies in the United States.

13 (c) Now only 2.7% of Colorado's adult population are members
14 of fraternal benefit societies and only 2.4% of all life insurance policies
15 in Colorado are purchased through fraternal benefit societies.

16 (2) Therefore, it is the intent of the general assembly to simplify
17 the collection and administration of taxes for the state of Colorado and to
18 relieve taxpayers' administrative burdens by repealing tax expenditures
19 that are outdated and rarely claimed.

20 **SECTION 2.** In Colorado Revised Statutes, 10-3-209, **repeal**
21 (1)(d)(I) as follows:

22 **10-3-209. Tax on premiums collected - exemptions - penalties**
23 **- repeal.** (1) (d) (I) ~~All fraternal and benevolent associations organized~~
24 ~~under the laws of this state and doing business in this state shall be~~
25 ~~exempt from the provisions of this section.~~

26 **SECTION 3. Act subject to petition - effective date -**

1 **applicability.** (1) This act takes effect at 12:01 a.m. on the day following
2 the expiration of the ninety-day period after final adjournment of the
3 general assembly (August 5, 2020, if adjournment sine die is on May 6,
4 2020); except that, if a referendum petition is filed pursuant to section 1
5 (3) of article V of the state constitution against this act or an item, section,
6 or part of this act within such period, then the act, item, section, or part
7 will not take effect unless approved by the people at the general election
8 to be held in November 2020 and, in such case, will take effect on the
9 date of the official declaration of the vote thereon by the governor.

10 (2) This act applies to tax years commencing on or after January
11 1, 2021.