

Second Regular Session
Seventy-second General Assembly
STATE OF COLORADO

DRAFT
10.10.19

BILL 6

LLS NO. 20-0229.01 Pierce Lively x2059

INTERIM COMMITTEE BILL

Tax Expenditure Evaluation Interim Study Committee

BILL TOPIC: "Crop Hail Insurance Premium Exemption"

A BILL FOR AN ACT

101 **CONCERNING THE REPEAL OF THE INSURANCE PREMIUM TAX**
102 **EXEMPTION FOR CROP HAIL INSURANCE.**

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 crop hail insurance states that mutual protective associations which operate on an advanced premium basis and only sell crop hail insurance are exempt from paying the insurance premium tax on the portion of the insurance premiums they collect which are designated to their loss fund. The bill repeals this

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

insurance premium exemption.

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 crop hail insurance
5 states that mutual protective associations which operate on an advanced
6 premium basis and only sell crop hail insurance are exempt from paying
7 the insurance premium tax on the portion of the insurance premiums they
8 collect which are designated to their loss fund.

9 (b) To qualify for the crop hail insurance premium tax exemption,
10 an insurer must, among other requirements, be a "mutual protective
11 association" and offer only crop hail insurance to policy holders.

12 (c) None of the insurers licensed in Colorado are "mutual
13 protective associations" and there have not been any active "mutual
14 protective associations" in Colorado since 1979.

15 (d) All of the insurance companies that offer crop hail insurance
16 in Colorado also offer other types of insurance.

17 (e) Thus, no insurers are currently eligible to claim the crop hail
18 insurance premium tax exemption.

19 (2) Therefore, it is the intent of the general assembly to simplify
20 the administration of taxes for the state of Colorado by repealing tax
21 expenditures that are obsolete and can no longer be claimed.

22 **SECTION 2.** In Colorado Revised Statutes, 10-3-209, **repeal**
23 (1)(d)(II) as follows:

24 **10-3-209. Tax on premiums collected - exemptions - penalties**
25 **- repeal.** (1) (d) (II) ~~Mutual protective associations writing crop hail~~

1 ~~insurance only and operating on an advance premium basis shall be~~
2 ~~exempt from the taxes provided by this section on that portion of the~~
3 ~~premium designated to the loss fund.~~

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