

ASSEMBLY BILL

No. 2734

Introduced by Committee on Insurance (Assembly Members Perea (Chair), Hagman (Vice Chair), Bradford, Ian Calderon, Cooley, Dababneh, Frazier, Gonzalez, Nestande, V. Manuel Pérez, and Wieckowski)

February 25, 2014

An act to amend Section 1775.1 of the Insurance Code, and to amend Sections 12251 and 12260 of the Revenue and Taxation Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2734, as introduced, Committee on Insurance. Insurance: prepayment of taxes.

Existing law requires every surplus line broker whose annual tax for the preceding calendar year was \$5,000 or more to make monthly installment payments on account of the annual tax on business done during the calendar year, and authorizes the Insurance Commissioner to relieve a surplus line broker of his or her obligations to make monthly payments if the broker establishes to the commissioner's satisfaction that he or she has ceased to transact business in the state, or his or her annual tax for the current year will be less than \$5,000.

This bill would raise the threshold for making monthly installment payments to \$20,000 or more in annual tax for the preceding calendar year, and would authorize the commissioner to relieve a surplus line broker of his or her obligations to make monthly payments if his or her annual tax for the current year would be less than \$20,000.

Existing law requires insurers transacting insurance in this state whose annual tax for the preceding calendar year was \$5,000 or more to make

prepayments of the annual tax for the current calendar year, except as provided. The commissioner is authorized to relieve an insurer of its obligations to make prepayments if the insurer establishes to the commissioner’s satisfaction that the insurer has ceased to transact business in the state, or the insurer’s annual tax for the current year will be less than \$5,000.

This bill would raise the threshold for making tax prepayments to \$20,000 or more in annual tax for the preceding calendar year, and would authorize the commissioner to relieve an insurer of its obligations to make prepayments if the insurer’s annual tax for the current year would be less than \$20,000.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1775.1 of the Insurance Code is amended
2 to read:

3 1775.1. (a) For the calendar year 1995, and each calendar year
4 thereafter, every surplus line broker whose annual tax for the
5 preceding calendar year was ~~five thousand dollars (\$5,000)~~ *twenty*
6 *thousand dollars (\$20,000)* or more shall make monthly installment
7 payments on account of the annual tax on business done during
8 the current calendar year imposed by Section 1775.5.

9 (b) Notwithstanding any other ~~provision, law,~~ the commissioner
10 may relieve a surplus line broker of his or her obligation to make
11 monthly payments ~~where if~~ the broker establishes to the satisfaction
12 of the commissioner that either the broker has ceased to transact
13 business in this state, or his or her annual tax for the current year
14 will be less than ~~five thousand dollars (\$5,000)~~ *twenty thousand*
15 *dollars (\$20,000)*.

16 SEC. 2. Section 12251 of the Revenue and Taxation Code, as
17 added by Section 13 of Chapter 33 of the Statutes of 2013, is
18 amended to read:

19 12251. (a) For the calendar year 1970, and each calendar year
20 thereafter, insurers transacting insurance in this state and whose
21 annual tax for the preceding calendar year was ~~five thousand dollars~~
22 ~~(\$5,000)~~ *twenty thousand dollars (\$20,000)* or more shall make
23 prepayments of the annual tax for the current calendar year imposed
24 by Section 28 of Article XIII of the California Constitution and

1 this part, provided that ~~no~~ prepayments shall *not* be made with
2 respect to the tax on ocean marine insurance underwriting profit
3 or any retaliatory tax.

4 (b) This section shall become operative on July 1, 2013.

5 SEC. 3. Section 12260 of the Revenue and Taxation Code, as
6 added by Section 28 of Chapter 33 of the Statutes of 2013, is
7 amended to read:

8 12260. (a) Notwithstanding any other provision of this article,
9 the commissioner may relieve an insurer of its obligation to make
10 prepayments ~~where~~ *if* the insurer establishes to the satisfaction of
11 the commissioner that either the insurer has ceased to transact
12 insurance in this state, or the insurer's annual tax for the current
13 year will be less than ~~five thousand dollars (\$5,000)~~ *twenty*
14 *thousand dollars (\$20,000)*.

15 (b) This section shall become operative on July 1, 2013.