

REFERENCE TITLE: health directives registry; premium tax

State of Arizona  
Senate  
Fifty-sixth Legislature  
Second Regular Session  
2024

## **SB 1394**

Introduced by  
Senators Alston: Fernandez

### AN ACT

AMENDING SECTIONS 20-224, 20-224.02, 20-225 AND 20-227, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 32, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-3297; RELATING TO THE HEALTH CARE DIRECTIVES REGISTRY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-224, Arizona Revised Statutes, is amended to  
3 read:

4 20-224. Premium tax; reports

5 A. On or before March 1 of each year, each authorized domestic  
6 insurer, each other insurer and each formerly authorized insurer referred  
7 to in section 20-206, subsection B shall file with the director a report  
8 in a form prescribed by the director showing total direct premium income,  
9 including policy membership and other fees, and all other considerations  
10 for insurance from all classes of business whether designated as a premium  
11 or otherwise received by it during the preceding calendar year on account  
12 of policies and contracts covering property, subjects or risks located,  
13 resident or to be performed in this state, after deducting from such total  
14 direct premium income applicable cancellations, returned premiums, the  
15 amount of reduction in or refund of premiums allowed to industrial life  
16 policyholders for payment of premiums direct to an office of the insurer  
17 and all policy dividends, refunds, savings coupons and other similar  
18 returns paid or credited to policyholders within this state and not  
19 reapplied as premiums for new, additional or extended insurance. ~~NO~~ A  
20 deduction shall NOT be made of the cash surrender values of policies or  
21 contracts. Considerations received on annuity contracts, as well as the  
22 unabsorbed portion of any premium deposit, shall not be included in total  
23 direct premium income, and neither shall be subject to tax. The report  
24 shall separately indicate the total direct fire insurance premium income  
25 received from property located in the incorporated cities and towns  
26 certified by the office of the state fire marshal pursuant to section  
27 9-951, subsection B, as procuring the services of a private fire company.

28 B. Coincident with the filing of the tax report, each insurer shall  
29 pay to the director for deposit, pursuant to sections 35-146 and 35-147, a  
30 tax on such net premiums at the following rates:

31 1. For fire insurance:

32 (a) On property located in a city or town certified by the office  
33 of the state fire marshal pursuant to section 9-951, subsection B, as  
34 procuring the services of a private fire company, .66 percent.

35 (b) On all other property, 2.2 percent.

36 2. For disability insurance, 2.0 percent.

37 3. For health care service plans, the rates prescribed under  
38 sections 20-837, 20-1010 and 20-1060.

39 4. For other insurance:

40 (a) For premiums received in calendar year 2016, 1.95 percent.

41 (b) For premiums received in calendar year 2017, 1.90 percent.

42 (c) For premiums received in calendar year 2018, 1.85 percent.

43 (d) For premiums received in calendar year 2019, 1.80 percent.

1 (e) For premiums received in calendar year 2020, 1.75 percent.  
2 (f) For premiums received in calendar year 2021 and for each  
3 subsequent calendar year, 1.70 percent.

4 C. Any payments of tax pursuant to subsection ~~F~~ G of this section  
5 shall be deducted from the tax payable pursuant to subsection B of this  
6 section. Each insurer shall reflect the cost savings attributable to the  
7 lower tax in fire insurance premiums charged on property located in an  
8 incorporated city or town certified by the office of the state fire  
9 marshal pursuant to section 9-951, subsection B, as procuring the services  
10 of a private fire company. ~~No AN insurer shall be~~ IS NOT liable to the  
11 state or to any other person, ~~or shall be~~ AND IS NOT subject to regulatory  
12 action, relating to the calculation or submittal of fire insurance  
13 premium taxes based in good faith on the office of the state fire  
14 marshal's certification.

15 D. Eighty-five percent of the tax paid under this section by an  
16 insurer on account of premiums received for fire insurance shall be  
17 separately specified in the report and shall be apportioned in the manner  
18 provided by sections 9-951, 9-952 and 9-972, except that all of the tax so  
19 allocated to a fund of a municipality or fire district that has no  
20 volunteer firefighters or pension obligations to volunteer firefighters  
21 shall be appropriated to the account of the municipality or fire district  
22 in the public safety personnel retirement system and all of the tax so  
23 allocated to a fund of a municipality or fire district that has both  
24 full-time paid firefighters and volunteer firefighters or pension  
25 obligations to full-time paid firefighters or volunteer firefighters shall  
26 be appropriated to the account of the municipality or fire district in the  
27 public safety personnel retirement system where it shall be reallocated by  
28 actuarial procedures proportionately to the municipality or fire district  
29 for the account of the full-time paid firefighters and to the municipality  
30 or fire district for the account of the volunteer firefighters. A  
31 municipality or fire district shall provide to the public safety personnel  
32 retirement system all information that the system deems necessary to  
33 perform the reallocation prescribed by this section. A full accounting of  
34 the reallocation shall be forwarded to the municipality or fire district  
35 and its local boards.

36 E. BEGINNING IN FISCAL YEAR 2024-2025, \$2,500,000 OF THE TAX PAID  
37 UNDER THIS SECTION SHALL BE SEPARATELY SPECIFIED IN THE REPORT AND SHALL  
38 BE DISTRIBUTED TO THE HEALTH CARE DIRECTIVES REGISTRY FUND ESTABLISHED BY  
39 SECTION 36-3297.

40 ~~F~~. F. This section does not apply to title insurance. Title  
41 insurers shall be taxed as provided in section 20-1566.

42 ~~F~~. G. Any insurer that paid or is required to pay a tax of \$50,000  
43 or more on net premiums received during the preceding calendar year,  
44 pursuant to subsection B of this section and sections 20-224.01, 20-837,  
45 20-1010, 20-1060 and 20-1097.07, shall file on or before the fifteenth day

1 of each month from March through August a report for that month, on a form  
2 prescribed by the director, accompanied by a payment in an amount equal to  
3 fifteen percent of the amount paid or required to be paid during the  
4 preceding calendar year pursuant to subsection B of this section and  
5 sections 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07. The payments  
6 are due and payable on or before the fifteenth day of each month and shall  
7 be made to the director for deposit, pursuant to sections 35-146 and  
8 35-147.

9 ~~G.~~ H. Except for the tax paid on fire insurance premiums pursuant  
10 to subsections B and D of this section, an insurer may claim a premium tax  
11 credit if the insurer qualifies for a credit pursuant to section  
12 20-224.03, 20-224.04, 20-224.06 or 20-224.07.

13 ~~H.~~ I. On receipt of a properly documented claim, a refund shall be  
14 provided to an insurer from available ~~funds~~ MONIES for the excess amount  
15 of any fire insurance premium improperly paid by the insurer. The insurer  
16 shall reflect the refund in the fire insurance premiums charged on the  
17 property that was charged the excessive amount.

18 ~~I.~~ J. On or before September 30 of each year, the director of the  
19 department of insurance and financial institutions shall report to the  
20 directors of the joint legislative budget committee and the governor's  
21 office of strategic planning and budgeting on the amount of insurance  
22 premium tax credits established by sections 20-224.03, 20-224.04,  
23 20-224.05, 20-224.06 and 20-224.07 that were used during the previous  
24 fiscal year.

25 ~~J.~~ K. For the purposes of:

26 1. Subsection B of this section, fire insurance is one hundred  
27 percent of fire lines, forty percent of commercial multiple peril  
28 nonliability lines, thirty-five percent of homeowners' multiple peril  
29 lines, twenty-five percent of farm owners' multiple peril lines and twenty  
30 percent of allied lines.

31 2. Section 20-416, fire insurance is eighty-five percent of fire  
32 and allied lines.

33 ~~K.~~ L. ~~From and after December 31, 2017,~~ The director may require  
34 that reports and payments under this section be submitted electronically.  
35 If the director requires electronic submission, the director shall include  
36 on the department's official website a list of one or more acceptable  
37 third-party services through which an insurer must submit reports and  
38 payments.

39 Sec. 2. Section 20-224.02, Arizona Revised Statutes, is amended to  
40 read:

41 20-224.02. Credit for overpayment of tax

42 If an overpayment of the taxes imposed by sections 20-224,  
43 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07 results from payments  
44 made pursuant to the method prescribed in section 20-224, subsection ~~F~~ G,

1 the director, ~~shall~~ within three months after the due date, SHALL refund  
2 the overpayment without interest.

3 Sec. 3. Section 20-225, Arizona Revised Statutes, is amended to  
4 read:

5 20-225. Failure to pay tax; penalty; exception

6 A. Any insurer failing to pay the tax prescribed by sections  
7 20-224, 20-224.01, 20-837, 20-1010, 20-1060 and 20-1097.07 is subject to a  
8 civil penalty not to exceed the greater of ~~twenty-five dollars~~ \$25 or five  
9 percent of the amount due plus interest at the rate of one percent per  
10 month from the date the tax was due.

11 B. The director may refuse to renew the certificate of authority of  
12 any insurer failing to pay the tax on or before the date it is due. The  
13 director shall revoke the certificate of authority of any insurer failing  
14 to pay the tax for more than thirty days after it was due.

15 C. If the director requires the tax to be paid electronically  
16 through a designated third-party service pursuant to section 20-224,  
17 subsection ~~L~~, no penalty accrues with respect to any payment of tax or  
18 interest that is late due to delays caused by the third-party service.

19 Sec. 4. Section 20-227, Arizona Revised Statutes, is amended to  
20 read:

21 20-227. Disposition of tax proceeds

22 The purpose of the taxes provided by this title is to assist in  
23 defraying the cost of state government and to lessen the tax burden ~~upon~~  
24 ON tangible property. All taxes collected under this title shall be  
25 deposited, pursuant to sections 35-146 and 35-147, in the state general  
26 fund and shall be used, together with the revenue from other sources, to  
27 pay appropriations for the maintenance of state government, except as  
28 provided in ~~subsection C of section 20-224, (firemen's relief and pension~~  
29 ~~fund) SUBSECTIONS D AND E, and in section 20-224.01 (highway patrol~~  
30 ~~account of the public safety personnel retirement system)~~ and other  
31 applicable statutes.

32 Sec. 5. Title 36, chapter 32, article 7, Arizona Revised Statutes,  
33 is amended by adding section 36-3297, to read:

34 36-3297. Health care directives registry fund; exemption

35 THE HEALTH CARE DIRECTIVES REGISTRY FUND IS ESTABLISHED CONSISTING  
36 OF MONIES DISTRIBUTED PURSUANT TO SECTION 20-224, SUBSECTION E. MONIES IN  
37 THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS  
38 OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS. THE DIRECTOR  
39 SHALL ADMINISTER THE FUND. FUND MONIES MAY BE SPENT ONLY FOR THE  
40 ADMINISTRATION AND OPERATION OF THE HEALTH CARE DIRECTIVES REGISTRY.