

By: Paxton, Turner, Smith of Tarrant

H.B. No. 2718

A BILL TO BE ENTITLED

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AN ACT

relating to treatment of retrospective premiums for group life insurance issued through certain nonprofit membership associations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1131.503, Insurance Code, is amended by adding Subsection (c) to read as follows:

(c) For purposes of Sections 222.002, 257.001, and 281.004, only the final retrospectively determined premium amount remitted to the issuer by the group policyholder is taxable as gross premiums, without regard to whether membership contributions, fees, assessments, dues, revenues, or other considerations in excess of that final amount are also collected from members. This subsection applies only to a nonprofit membership association that:

(1) qualifies under Section 501(c)(9), Internal Revenue Code of 1986;

(2) has been in existence for at least 50 years;

(3) limits association membership to:

(A) members of the uniformed services of the United States serving on active duty;

(B) members of the ready reserve forces of the United States, including the Army and Air National Guard;

(C) retirees and separatees of:

(i) the uniformed services of the United

1 States; or

2 (ii) the ready reserve forces of the United  
3 States, including the Army and Air National Guard;

4 (D) cadets and midshipmen in the service  
5 academies of the United States and other officer candidates;

6 (E) federal employees and contractors who are  
7 employed by the United States government or other related  
8 governmental entities or retired with pay from that employment;

9 (F) employees or members of any state, county,  
10 municipal, or other local governmental body or other organized  
11 governmental entity who are involved in homeland defense and  
12 homeland security operations; and

13 (G) any other category of membership established  
14 by the governing body of the association that falls within the scope  
15 of permissible membership authorized by Section 501(c)(9),  
16 Internal Revenue Code of 1986;

17 (4) has no separate membership enrollment or  
18 application requirement;

19 (5) collects member contributions, fees, or dues,  
20 including funds contributed specifically for insurance and  
21 remitted by the group policyholder to the issuer following a  
22 retrospective premium determination; and

23 (6) provides insurance and noninsurance membership  
24 benefits.

25 SECTION 2. The change in law made by this Act applies only  
26 to a premium remitted on or after the effective date of this Act. A  
27 premium remitted before the effective date of this Act is governed

1 by the law as it existed immediately before the effective date of  
2 this Act, and that law is continued in effect for that purpose.

3 SECTION 3. This Act takes effect immediately if it receives  
4 a vote of two-thirds of all the members elected to each house, as  
5 provided by Section 39, Article III, Texas Constitution. If this  
6 Act does not receive the vote necessary for immediate effect, this  
7 Act takes effect September 1, 2007.