

1-1 By: Paxton, Turner, Smith of Tarrant H.B. No. 2718  
1-2 (Senate Sponsor - Ellis)  
1-3 (In the Senate - Received from the House May 3, 2007;  
1-4 May 7, 2007, read first time and referred to Committee on State  
1-5 Affairs; May 15, 2007, reported favorably by the following vote:  
1-6 Yeas 8, Nays 0; May 15, 2007, sent to printer.)

1-7 A BILL TO BE ENTITLED  
1-8 AN ACT

1-9 relating to treatment of retrospective premiums for group life  
1-10 insurance issued through certain nonprofit membership  
1-11 associations.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Section 1131.503, Insurance Code, is amended by  
1-14 adding Subsection (c) to read as follows:

1-15 (c) For purposes of Sections 222.002, 257.001, and 281.004,  
1-16 only the final retrospectively determined premium amount remitted  
1-17 to the issuer by the group policyholder is taxable as gross  
1-18 premiums, without regard to whether membership contributions,  
1-19 fees, assessments, dues, revenues, or other considerations in  
1-20 excess of that final amount are also collected from members. This  
1-21 subsection applies only to a nonprofit membership association that:

1-22 (1) qualifies under Section 501(c)(9), Internal  
1-23 Revenue Code of 1986;

1-24 (2) has been in existence for at least 50 years;

1-25 (3) limits association membership to:

1-26 (A) members of the uniformed services of the  
1-27 United States serving on active duty;

1-28 (B) members of the ready reserve forces of the  
1-29 United States, including the Army and Air National Guard;

1-30 (C) retirees and separatees of:

1-31 (i) the uniformed services of the United  
1-32 States; or

1-33 (ii) the ready reserve forces of the United  
1-34 States, including the Army and Air National Guard;

1-35 (D) cadets and midshipmen in the service  
1-36 academies of the United States and other officer candidates;

1-37 (E) federal employees and contractors who are  
1-38 employed by the United States government or other related  
1-39 governmental entities or retired with pay from that employment;

1-40 (F) employees or members of any state, county,  
1-41 municipal, or other local governmental body or other organized  
1-42 governmental entity who are involved in homeland defense and  
1-43 homeland security operations; and

1-44 (G) any other category of membership established  
1-45 by the governing body of the association that falls within the scope  
1-46 of permissible membership authorized by Section 501(c)(9),  
1-47 Internal Revenue Code of 1986;

1-48 (4) has no separate membership enrollment or  
1-49 application requirement;

1-50 (5) collects member contributions, fees, or dues,  
1-51 including funds contributed specifically for insurance and  
1-52 remitted by the group policyholder to the issuer following a  
1-53 retrospective premium determination; and

1-54 (6) provides insurance and noninsurance membership  
1-55 benefits.

1-56 SECTION 2. The change in law made by this Act applies only  
1-57 to a premium remitted on or after the effective date of this Act. A  
1-58 premium remitted before the effective date of this Act is governed  
1-59 by the law as it existed immediately before the effective date of  
1-60 this Act, and that law is continued in effect for that purpose.

1-61 SECTION 3. This Act takes effect immediately if it receives  
1-62 a vote of two-thirds of all the members elected to each house, as  
1-63 provided by Section 39, Article III, Texas Constitution. If this  
1-64 Act does not receive the vote necessary for immediate effect, this

2-1 Act takes effect September 1, 2007.

2-2 \* \* \* \* \*