

*The following Advisory Opinion is to advise the reader of the current position of the Kentucky Department of Insurance ("the Department") on the specified issue. The Advisory Opinion is not legally binding on either the Department or the reader.*

## **Kentucky Department of Insurance**

### **Advisory Opinion 2000-05**

#### **IN RE:Exemption from Local Government Premium Taxes**

#### **HB 517, Section 30**

#### **KRS 91A.080 License Tax on Insurance Companies**

The Department has been asked to issue an opinion regarding its interpretation of HB 517, Section 30. In particular, questions received have focused on the scope of the exemption from local government premium taxes.

RELEVANT STATUTES: HB 517, Section 30 amends KRS 91A.080, **License Tax on Insurance Companies**, to add a new subsection (13). Subsection (13) states:

"No license fee or tax imposed under this section shall apply to premiums received on health insurance policies issued to individuals nor to policies issued through Kentucky Access created in Section 3 of this Act "

THE DEPARTMENT'S POSITION: After discussing this issue with interested parties and legislators involved in the passage of HB 517, Section 30, the Department acknowledges that the original intent of this subsection was to exempt premiums received on **health benefit plans** issued to individuals. However, the wording of the statute exempts premiums received on **health insurance policies**. Health insurance is defined in KRS 304.5-040 as:

"insurance of human beings against bodily injury, disablement, or death by accident or accidental means, or the expense thereof, or against disablement or expense resulting from sickness, and every insurance appertaining thereto."

Health benefit plans are one type of health insurance policy. However, as defined, health insurance includes additional types of plans including, but not limited to, Medicare supplement policies, long-term care policies, and dread disease policies.

In accordance with the literal wording of the statute, it is the Department's intent to interpret HB 517, Section 30, to exempt the local government premium tax from premiums received on all health insurance policies issued to individuals or through Kentucky Access. No tax shall be assessed for policies issued on or after July 14, 2000. Any tax collected on or after July 14, 2000 shall be refunded to policyholders and a credit for such tax refund shall be credited on the next quarterly statement.

HB 517, Section 30 only exempts health insurance policies issued to **individuals** or policies issued through Kentucky Access. **Group policies remain subject to municipal taxes assessed pursuant to KRS 91A.080.**

The Department has had a discussion with representatives of the Kentucky League of Cities and the Kentucky Association of Counties regarding the Department's intentions.

Questions regarding this Advisory Opinion may be directed to D.J. Wasson, Principal Assistant, (502) 564-6029.

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George Nichols III  
Commissioner

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Date