

MODEL LOCAL GOVERNMENT PREMIUM TAX ORDINANCE

[Choose 1: CITY / COUNTY] OF [Insert County/City Name], KENTUCKY

ORDINANCE NO. [Insert Ordinance Number]

AN ORDINANCE IMPOSING A LICENSE FEE OR TAX UPON INSURANCE COMPANIES FOR THE PRIVILEGE OF ENGAGING IN THE BUSINESS OF INSURANCE WITHIN THE [Choose 1: CORPORATE LIMITS OF THE CITY or THE COUNTY] OF [Insert County/City Name]; ESTABLISHING A LICENSE FEE OR TAX UPON INSURANCE COMPANIES AT THE RATE OF [Insert license fee/tax rate percentage] % OF THE FIRST YEAR PREMIUMS COLLECTED FOR LIFE INSURANCE AND [Insert license fee/tax rate percentage] % OF THE PREMIUMS COLLECTED FOR ALL OTHER TYPES OF INSURANCE **[NOTE: The Local Premium Tax Advisory Council highly recommends that the license fee/tax be established and charged on a line of insurance, not on a particular type of coverage or property]**; ESTABLISHING AN EFFECTIVE DATE OF JULY 1 AND A DELINQUENCY DATE THIRTY-ONE (31) DAYS AFTER THE END OF EACH CALENDAR QUARTER; ESTABLISHING A PENALTY INTEREST CHARGE FOR ANY LICENSE FEE OR TAX NOT PAID ON OR BEFORE THE DUE DATE WHICH SHALL BE THE TAX INTEREST RATE DEFINED BY KRS 131.010(6) AND PUBLISHED IN THE ANNUAL LOCAL GOVERNMENT PREMIUM TAX BULLETIN ISSUED BY THE DEPARTMENT OF INSURANCE; ESTABLISHING A [Insert percentage not to exceed 10%] % PENALTY FOR A LICENSE FEE OR TAX NOT PAID WITHIN THIRTY (30) DAYS AFTER THE DUE DATE; AND REQUIRING INSURANCE COMPANIES SUBJECT TO THE LICENSE FEE OR TAX TO FURNISH QUARTERLY AND ANNUAL REPORTS REQUIRED BY KRS 91A.080 AND 806 KAR 2:095.

BE IT ORDAINED BY THE [Choose 1: CITY / COUNTY] OF [Insert County/City Name], KENTUCKY:

SECTION 1. Definitions:

a. Insurance company means any company authorized to transact insurance business in the state of Kentucky in accordance with KRS Chapter 304. Insurance company shall also include a surplus lines broker licensed in accordance with KRS Chapter 304, Subtitle 10.

b. Local government means a city, county, charter county, consolidated local government, urban-county government, or unified local government that, by this ordinance, imposes a license fee or tax upon insurance premium receipts.

SECTION 2: There is hereby imposed on each insurance company a license fee or tax for the privilege of engaging in the business of insurance within the [Choose 1: the corporate limits of the city OR the county] of [Insert County/City Name].

SECTION 3: The license fee or tax imposed upon an insurance company with respect to life insurance policies shall be [Insert license fee/tax rate percentage] % and based upon the first year's premiums only. The license fee or tax shall be applied to the amount of the premiums actually collected within each calendar quarter upon the lives of persons residing within the [Choose 1: the corporate limits of the city OR the county] of [Insert County/City Name].

SECTION 4: Except as provided in Section 5 of this ordinance, the license fee or tax imposed upon each insurance company with respect to any insurance policy which is not a life insurance policy shall be [Insert license fee/tax rate percentage]% of the premiums actually collected ***[NOTE: The Local Premium Tax Advisory Council highly recommends that the license fee/tax be established and charged on a line of insurance, not on a particular type of coverage or property];*** within each calendar quarter by reason of the issuance of such policies on risks located within the [Choose 1: the corporate limits of the city OR the county] of [Insert County/City Name]. The license fee or tax shall apply only to those classes of business which such insurance company is authorized to transact, less all premiums returned to

policyholders. [NOTE: The local government may, by separate paragraph, establish a different rate of tax for premiums related to health insurance.]

SECTION 5: No license fee or tax imposed upon premium receipts shall apply to the following:

a. Policies of group health insurance provided for state employees under KRS 18A.225;

b. Health insurance policies issued to individuals including policies issued through Kentucky Access;

c. Workers' compensation insurance;

d. Annuities;

e. Federal flood insurance;

f. Municipal bonds, leases, or other debt instruments issued by or on behalf of [Insert County/City Name] unless the bonds, leases, or other debt instruments are issued for profit or on behalf of for-profit or private organizations;

g. Policies of high deductible health plans as defined in in 26 U.S.C. sec. 223(c)(2), commonly referred to as Health Savings Accounts;

h. Policies of insurance, insured or reinsured by the Federal Crop Insurance Corporation. 7 C.F.R. sec. 400.352(b)(2);

i. Policies insuring or naming the state or one of its agencies or political subdivisions as an insured and surety bonds where the state or one of its agencies or political subdivisions is the obligee. For the purposes of local government premium tax payments, school districts are considered agencies of the state and policies insuring

school districts and bonds with school districts as the obligee are exempt from local government premium taxes;

j. Policies issued to public service companies which pay ad valorem taxes;

k. Entities issued a certificate of authority to do business in Kentucky only as a health maintenance organization pursuant to KRS 304.38-060;

l. Entities issued a certificate of authority to do business in Kentucky as a captive insurer pursuant to KRS 304.49-010; or

m. Domestic life insurance companies electing to be taxed under the provisions of KRS 136.320.

[Insert any additional exemptions to be imposed by the ordinance. NOTE: Unless specifically excluded by ordinance, a local government is not exempt from the payment of local government premium taxes.].

SECTION 6: All license fees imposed by this ordinance shall be due no later than thirty (30) days after the end of each calendar quarter. The payment shall be submitted to the local government, together with Form LGT-141 [or a substantially similar form prepared by the local government] on or before the due date. Any license fee or tax not paid on or before the due date shall bear interest from the date due until paid at the interest rate established annually by the Department of Revenue for unpaid or underpaid taxes. This interest shall be paid to the local government together with the license fee or tax that is due. [NOTE: In accordance with KRS 131.010(6), the Department of Revenue adjusts the tax interest rate by November 1 of each year to be effective January 1. The tax interest rate is published annually in a bulletin issued by the Department of Insurance.] In addition, the insurance company shall pay to the

local government a penalty in the amount of [insert penalty amount not to exceed 10% of the license fee or tax due] on a license tax or fee not paid within thirty (30) days after the due date.

SECTION 7: In accordance with KRS 91A.080(8), each insurance company subject to the license fee or tax imposed by this ordinance shall annually, by March 31, furnish the local government a written breakdown of all collections in the preceding calendar year for the following categories of insurance:

- a. Casualty;
- b. Automobile;
- c. Inland Marine;
- d. Fire and allied perils;
- e. Health; and
- f. Life.

SECTION 8: The local government shall transmit a copy of this ordinance, and any amendment(s) thereto, to the Kentucky Commissioner of Insurance at least one hundred (100) days prior to the effective date of the ordinance. [When submitting the ordinance to the Commissioner, the local government must provide a valid address to where license fee or tax payments are to be remitted. Mail the ordinance to: Department of Insurance, P.O. Box 517, Frankfort, KY 40602]

SECTION 9: This ordinance shall become effective on the first day of July, _____.* [NOTE: KRS 91A.080(1) provides that any license fee or tax

enacted or changed by a local government shall be effective July 1 of each year on a prospective basis only.]

[Insert name of authorize local government official]

[Insert title of authorize local government official]

Attest:

[Insert name of person attesting]

[Insert title of person attesting, if applicable]