

**Local Government Mandate Statement
Kentucky Legislative Research Commission
2018 Regular Session**

Part I: Measure Information

Bill Request #: 407

Bill #: HB 402 GA

Document ID #: 6260

Bill Subject/Title: AN ACT relating to credit balances for insurers.

Sponsor: Representative Jeff Greer

Unit of Government: City County Urban-County
Unified Local
 Charter County Consolidated Local Government

Office(s) Impacted: _____

Requirement: Mandatory Optional

Effect on
Powers & Duties: Modifies Existing Adds New Eliminates Existing

**Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local
Government**

HB 402 GA requires local governments to notify insurance companies within 90 days whether or not an amended return or request for refund relative to insurance license fees or taxes imposed by KRS 91A.080 has been accepted.

If a refund or credit is owed, a full refund must be provided within one year of either the due date or the filing date of the original quarterly return, or the filing date of the amended return. The local government may require the insurance company to carry a credit balance forward to subsequent quarters and offset amounts that would otherwise be owed within the one year period. If after one year, there is still a credit balance, a refund shall be issued.

If an insurance company submits an affidavit that it will not write additional insurance policies in the jurisdiction of the local government within the next year, refunds or overpayments shall be distributed by the local government according to the following schedule:

- If the credit balance is 10% or less of the total local government's premium tax (LGPT) receipts for the most recent fiscal year, the refund must be issued within 60 days of the due date of the original return or 60 days from the filing date of the amended return; or if the amended return has not been accepted within the 60 day period, the refund shall then be within 30 days from the acceptance date, whichever is later.
- If the credit balance is greater than 10% and equal or less than 25% of the total LGPT receipts for the most recent fiscal year, the refund must be issued within 120 days of the due date of the original return or 120 days from the filing date of the amended return.
- If the credit balance is greater than 25% and equal or less than 50% of the total LGPT receipts for the most recent fiscal year, the refund must be issued within 240 days of the due date of the original return or 240 days from the filing date of the amended return.
- If the credit balance is greater than 50% of the total LGPT receipts for the most recent fiscal year, then ½ of the refund must be issued within 240 days with the balance to be paid within one year from the latest of the due date of an original quarterly filing; the filing date of an original quarterly return; or the filing date of an amended return.
- An alternate payment plan may be agreed to by the local government and insurance company.
- The local government shall document and certify the total LGPT receipts if a tiered payment plan is used as described above.
- The insurance company must document refunds or credits passed on to the policyholders by the insurance company, including any fees or penalties. This documentation shall be provided to the local government upon request and shall be retained by the company for two years.

The fiscal impact of HB 402 GA on local governments is indeterminable, but can be expected to be minimal. The proposal restructures the time frame for which refunds or credits to insurance company are to be paid resulting from adjustments in their LGPT. It does not change the amounts that might actually be owed the company. The local government may benefit from interest the money may earn while still deposited in the local governments' accounts and the tiered structure may assist local governments in meeting their other obligations depending on the size and particular circumstances of their budget.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The GA version to this bill does not have any changes from the bill as introduced. There were no committee substitutes or floor amendments adopted.

Data Source(s): LRC Staff

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 3/2/18