



Legislative Activity Report

National Council on Compensation Insurance

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Regulatory Services

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Report Contact: Legislative_Activity@ncci.com

State Issues Contacts: Please refer to the list of State Relations Executives at the end of this report.

LEGISLATIVE ACTIVITY—LEGISLATIVE SESSION UPDATES

This report contains descriptions and/or excerpts of relevant bills that passed the first chamber, passed the second chamber, or were enacted during the specific periods. In addition, a recap of significant legislative and judicial activity impacting the workers compensation system will be included in the first report published each month. This report is issued on a weekly basis throughout the legislative season, and it provides updates on the content of these bills if and when they progress through the legislative process. This report includes bills from states where NCCI provides ratemaking services (see state list under Contact Information) and the US Congress.

BILLS ENACTED

The following workers compensation-related bill was enacted within the one-week period ending September 9, 2016.

Rhode Island

HB 8058 Substitute A was:

- Passed by the first chamber on June 17, 2016
- Included in NCCI's June 24, 2016 *Legislative Activity Report* (RLA-2016-24)
- Passed by the second chamber on June 18, 2016
- Enacted and effective on September 7, 2016

HB 8058 Substitute A amends section **44-17-1. Companies required to file—Payment of tax—Retaliatory rates** of the State of Rhode Island General Laws as follows:

§ 44-17-1 Companies required to file—Payment of tax—Retaliatory rates—(a) Every domestic, foreign, or alien insurance company, mutual association, organization, or other insurer, including any health maintenance organization, as defined in § 27-41-1, any medical malpractice insurance joint underwriters association as defined in § 42-14.1-1, any nonprofit dental service corporation as defined in § 27-20.1-2 and any nonprofit hospital or medical service corporation, as defined in chapters 27-19 and 27-20, except companies mentioned in § 44-17-6, and organizations defined in § 27-25-1, transacting business in this state, shall, on or before March 1 in each year, file with the tax administrator, in the form that he or she may prescribe, a return under oath or affirmation signed by a duly authorized officer or agent of the company, containing information that may be deemed necessary for the determination of the tax imposed by this chapter, and shall at the same time pay an annual tax to the tax administrator of two percent (2%) of the gross premiums on contracts of insurance, except for ocean marine insurance, as referred to in § 44-17-6, covering property and risks within the state, written during the calendar year ending December 31st next preceding.

(b) Qualifying insurers for purposes of this subsection means every domestic, foreign, or alien insurance company, mutual association, organization, or other insurer and excludes:

- (1) Health maintenance organizations, as defined in §27-41-2;**
- (2) Nonprofit dental service corporations as defined in §27-20.1-2; and**
- (3) Nonprofit hospital or medical service corporations, as defined in §§27-19-1 and 27-20-1.**

(c) For tax years 2018 and thereafter, the rate of taxation may be reduced as set forth below and, if so reduced, shall be fully applicable to qualifying insurers instead of the two percent (2%) rate listed in subsection (a) above, but in In the case of foreign or alien companies, except as provided in § 27-2-17(d), the tax is shall not be less in amount than is imposed by the laws of the state or country under which the companies are organized upon like companies incorporated in this state or upon its agents, if doing business to the same extent in the state or country. The tax rate shall not be reduced for gross premiums written on contracts of health insurance as defined in §42-14-5(c) but shall remain at two percent (2%) or the appropriate retaliatory tax rate, whichever is higher.

(d) For qualifying insurers the premium tax rate may be decreased based upon Rhode Island jobs added by the industry as detailed below:

(1) A committee shall be established for the purpose of implementing tax rates using the framework established herein. The committee shall be comprised of the following persons or their designees: the secretary of commerce, the director of the department

of business regulation, the director of the department of revenue, and the director of the office of management and budget. No rule may be issued pursuant to this section without the prior, unanimous approval of the committee.

(2) On the timetable listed below the committee shall determine whether qualifying insurers have added new qualifying jobs in this state in the preceding calendar year. A qualifying job for purposes of this section is one in which a person is employed for consideration for at least thirty-five (35) hours a week earning no less than the median hourly wage as reported by the United States Bureau of Labor Statistics for the state of Rhode Island.

(3) If the committee determines that there has been a sufficient net increase in qualifying jobs in the preceding calendar year(s) to offset a material reduction in the premium tax, it shall calculate a reduced premium tax rate. Such rate shall be determined via a method selected by the committee and designed such that the estimated personal income tax generated by the increase in qualifying jobs is at least one-hundred and twenty-five percent (125%) of the anticipated reduction in premium tax receipts resulting from the new rate. For purposes of this calculation, the committee may consider personal income tax withholdings or receipts, but in no event may the committee include for the purposes of determining revenue neutrality income taxes that are subject to segregation pursuant to section 44-48.3-8(f) of the general laws or that are otherwise available to the general fund.

(4) Any reduced rate established pursuant to this section must be established in a rulemaking proceeding pursuant to chapter 35 of title 42, subject to the following conditions:

(i) Any net increase in qualifying jobs and the resultant premium tax reduction and revenue impact shall be determined in any rulemaking proceeding conducted under this section and shall be set forth in a report included in the rulemaking record, which report shall also include a description of the data sources and calculation methods used. The first such report shall also include a calculation of the baseline level of employment of qualifying insurers for the calendar year 2015.

(ii) Notwithstanding any provision of the law to the contrary, no rule changing the tax rate shall take effect until one hundred and twenty (120) days after notice of the rate change is provided to the speaker of the house, the president of the senate, the house and senate fiscal advisors, and the auditor general, which notice shall include the report required under the preceding provision.

(5) For each of the first three (3) rulemaking proceedings required under this section, the tax rate may remain unchanged or be decreased consistent with the requirements of this section, but may not be increased. These first three (3) rulemaking proceedings shall be conducted by the division of taxation and occur in the following manner:

(i) The first rulemaking proceeding shall take place in calendar year 2017. This proceeding shall establish a rule that sets forth (A) a new premium tax rate, if allowed under the requirements of this section, which rate shall take effect in 2018, and (B) a method for calculating the number of jobs at qualifying insurers.

(ii) The second rulemaking proceeding shall take place in calendar year 2018. This proceeding shall establish a rule that sets forth (A) a new premium tax rate, if allowed under the requirements of this section, which rate shall take effect in 2019, and (B) the changes, if any, to the method for calculating the number of jobs at qualifying insurers.

(iii) The third rulemaking proceeding shall take place in calendar year 2019. This proceeding shall establish a rule that sets forth (A) a new premium tax rate, if allowed under the requirements of this section, which rate shall take effect in 2020, and (B) the changes, if any, to the method for calculating the number of jobs at qualifying insurers.

(5) The tax rate established in the regulation following regulatory proceedings that take place in 2019 shall remain in effect through and including 2023. In calendar year 2023 the department of business regulation will conduct a rulemaking proceeding and issue a rule that sets forth (A) a new premium tax rate, if allowed under the requirements of this section, which rate shall take effect in 2024, and (B) the changes, if any, to the method for calculating the number of jobs at qualifying insurers. A rule issued by the department of business regulation may decrease the tax rate if the requirements for a rate reduction contained in this section are met, or it may increase the tax rate to the extent necessary to achieve the overall revenue level sought when the then existing tax rate was established. Any rate established shall be no lower than one percent (1%) and no higher than two percent (2%). This proceeding shall be repeated every three (3) calendar years thereafter, however, the base for determination of job increases or decreases shall remain the number of jobs existing during calendar year 2022.

(7) No reduction in the premium tax rate pursuant to this section shall be allowed absent a determination that qualifying insurers have added in this state at least three hundred fifty (350) new, full-time, qualifying jobs above the baseline level of employment of qualifying insurers for the calendar year 2015.

(8) Notwithstanding any provision of this section to the contrary, the premium tax rate shall never be set lower than one percent (1%).

(9) The division of taxation may adopt implementation guidelines, directives, criteria, rules and regulations pursuant to chapter 35 of title 42 as are necessary to implement this section.

(10) The calculation of revenue impacts under this section is at the sole discretion of the committee established under subsection (d)(1) of this section. Notwithstanding any provision of law to the contrary, any administrative action or rule setting a tax rate pursuant to this section or failing or declining to alter a tax rate pursuant to this section shall not be subject to judicial review under chapter 35 of title 42.

HB 8058 Substitute A also creates the following new sections in Chapter 27-1 “Domestic Insurance Companies” and Chapter 27-2 “Foreign Insurance Companies”:

§ 27-1-45. Determination of premium tax rate.—The department of business regulation may participate in proceedings under §44-17-1(d) to implement guidelines, directives, criteria, and may promulgate additional resulting rules and regulations pursuant to chapter 35 of title 42 as are necessary to implement §44-17-1(d).

§ 27-2-28. Determination of premium tax rate.—The department of business regulation may participate in proceedings under §44-17-1(d) to implement guidelines, directives, criteria, and may promulgate additional resulting rules and regulations pursuant to chapter 35 of title 42 as are necessary to implement §44-17-1(d).

Note: HB 8058 Substitute A is identical to SB 3012 Substitute A, which passed the second chamber on June 18, 2016.

BILLS PASSING SECOND CHAMBER

There were no relevant workers compensation-related bills that passed the second chamber within the one-week period ending September 9, 2016.

BILLS PASSING FIRST CHAMBER

There were no relevant workers compensation-related bills that passed the first chamber within the one-week period ending September 9, 2016.

Contact Information

If you have any questions about the legislation or proposals mentioned, please contact the appropriate NCCI state relations executive (listed below) or a representative of your local insurance trade association.

State	State Relations Executive	Phone Number
CT, ME, NH, RI, VT	Laura Backus Hall	802-454-1800
FL, IA	Chris Bailey	850-322-4047
AL, GA, KY, LA, MS	Cathy Booth	205-655-2699
AK, AZ, CO, NM, UT	Maggie Karpuk	818-707-8374
DC, MD, VA, WV	David Benedict	804-380-3005
HI	Carolyn Pearl	808-524-6239
IN, NC, SC, TN	Amy Quinn	803-356-0851
AR, IL, KS, TX	Terri Robinson	501-333-2835
ID, MT, NV, OR	Jessica Epley	503-892-8919
MO, NE, OK, SD	Carla Townsend	314-843-4001
Federal Issues	Tim Tucker	202-403-8526

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