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FLOOR DEBATE

March 19, 2004 LB 1047

be able to loan up to 75 percent of the portion of the construction that was completed.

SENATOR RAIKES: So would that too make the statute regulation consistent with current practice?

SENATOR QUANDAHL: Actually, that portion, I'm not aware of any current domestic insurance company that actually makes construction loans at this point. But I will tell you that the domestic industry is interested in that particular provision.

SENATOR RAIKES: Okay. Then there were some comments about the reason this particular company would make the move, like over a ten-year period some millions of dollars that they could gain profitwise. How does that happen?

SENATOR QUANDAHL: Okay. That happens as a phenomenon that's called retaliatory tax. For instance, I'll just take two states for examples, Nebraska and California. Nebraska has...their premium tax, I believe, is right at 1 percent. In California, the premium tax is at 2.4 percent. And when a company writes business, they have to pay a premium tax. It's either going to be the higher of the state where that business is written--if that was in Nebraska, that would be 1 percent--or the state of their domicile, that being 2.4 percent. Since California has such a high premium tax, the retaliatory tax, the cumulative effect of that across the entire country causes them to pay an additional estimated \$10 million.

SENATOR RAIKES: So Nebraska's tax then is consistent with the premium tax in other states at, did you say 1 percent?

SENATOR QUANDAHL: Actually, right now, Nebraska has one of the lowest premium taxes in the nation. And that's...quite frankly, that's what makes Nebraska such an attractive place for insurance companies to change their domiciles.

SENATOR RAIKES: Okay. And currently, if I understood you correctly, with the retaliatory tax, if this company sold a policy in Nebraska, then Nebraska would charge, or would collect, 1.4 percent of premium tax on that policy sold in