

Nevada State Legislature  
Senate Committee on Revenue and Economic Development  
401 S. Carson Street  
Carson City, NV 89701-4747

February 26, 2015

Sent via electronic transmission to committee at:  
*SenREV@sen.state.nv.us*

**RE: SB 103, Modified Business Tax on Financial Institutions - NAMIC's Letter *in Support* of Proposed Legislation**

Dear Senator Roberson, Chair; Senator Brower, Vice-Chair; and members of the Senate Committee on Revenue and Economic Development:

Thank you for providing the National Association of Mutual Insurance Companies (NAMIC) an opportunity to submit written testimony to your committee for the February 27, 2015, public hearing. Unfortunately, I will not be able to attend the public hearing, because of a previously scheduled professional obligation.

NAMIC is the largest property/casualty insurance trade association in the country, serving regional and local mutual insurance companies on main streets across America as well as many of the country's largest national insurers.

The 1,400 NAMIC member companies serve more than 135 million auto, home and business policyholders and write more than \$196 billion in annual premiums, accounting for 50 percent of the automobile/homeowners market and 31 percent of the business insurance market. NAMIC has 139 members who write property/casualty and workers' compensation insurance in the State of Nevada, which represents 40% of the insurance marketplace.

Through our advocacy programs we promote public policy solutions that benefit NAMIC companies and the consumers we serve. Our educational programs enable us to become better leaders in our companies and the insurance industry for the benefit of our policyholders.

NAMIC supports SB 103, because business taxation should be fair and appropriately related to the scope of the actual business endeavor. The proposed legislation would amend the modified business excise tax on the payrolls of financial institutions so that it does not apply to the payrolls of small business owners, like insurance agents, who primarily sell home and auto insurance instead of securities and complex investment instruments. In essence, the proposed legislation is intended to just make the current business excise tax law conform to common-sense and common-experience.

In 2003, the Nevada Legislature added an excise tax applicable to “financial institutions.” This tax substituted a 2% payroll tax on the entire payroll of “financial institutions” for a 1.17% general business payroll tax on payrolls exceeding \$85,000 per quarter. While aimed at banks and stock brokers, the law broadly defined “financial institutions” to include *any person* who holds Series 6 or 63 licenses, which some insurance agents obtain to sell certain life insurance products. Consequently, certain business professionals, like insurance agents, have been swept into the definition of “financial institutions” and required to pay an excise tax that was never contemplated to be applicable to their business endeavor.

Of particular concern is the fact that the Nevada Department of Revenue has recently started to apply this overly-broad definition of “financial institutions” to insurance agents who primarily sell home and auto insurance, and merely hold Series 6 or 63 licenses so that they may be able to offer a small book of life insurance and financial services products to their clients, as a professional courtesy. These agents, whose “book of business” is really home and auto insurance should not, from a public policy standpoint or a tax fairness standpoint, be considered “financial institutions” for excise tax purposes.

NAMIC is concerned that the practical impact of the current excise tax is anti-insurance consumer, because it is in the best interest of insurance consumers to be able to procure all of their insurance needs in a timely and efficient manner. Being able to partake in “one stop shopping” with their insurance agent is beneficial to the consumer. Insurance agents should not be prevented from being able to assist their clients in securing life insurance and financial services products. Insurance consumers want and need to be able to purchase a variety of insurance and financial products from a person they have an established professional relationship of trust with and who has knowledge about the consumer’s specific insurance and financial needs.

Further, NAMIC is concerned that this current tax on the payrolls of small business owners could have a detrimental impact upon the business community, because it adversely impacts the ability of small business owners to hire employees and “grow their business.” A strong state economy starts with the establishment of a vibrant small business community. The current excise tax law disproportionately harms these small businesses.

Currently, the General Business payroll tax only applies to payrolls that exceed \$85,000 per quarter. To further protect small business and facilitate business development, NAMIC suggests that this same financial threshold be applied to the excise tax applicable to financial institutions.

For the aforementioned reasons, NAMIC respectfully requests that this committee VOTE YES on SB 103, because it is a pro-small business and pro-insurance consumer bill.

Thank you for your time and consideration. Please feel free to contact me at 303.907.0587 or at [crataj@namic.org](mailto:crataj@namic.org), if you would like to discuss NAMIC’s written testimony.

Respectfully,



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NAMIC Senior Director – State Affairs, Western Region