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REPRESENTING NAIFA-ME

CURRENT ANNUITY PREMIUM TAX RATES	
California	2.35%
Florida	1.00%
Maine	2.00%
Nevada	3.5%
Puerto Rico	1.00%
South Dakota	1.25%
Repealed ~~West Virginia~~	~~1.00%~~
Wyoming	1.00%

Notes: California, Florida, Puerto Rico, and ~~West Virginia~~ tax both qualified and non-qualified annuities. California, while taxing both kinds of annuities, grants a lower rate (.5%) to qualified annuities. Other states imposing a tax on qualified annuities tax them at the same rate as non-qualified annuities. Florida, while imposing a tax, grants exemption from the tax if the insurer can show the savings from the exemption is passed on to Florida policy owners.

Annuity Taxation

A person earns $10,000 paying income taxes or capital gains tax on the earnings.

They then invest the $10,000 in an annuity. Suppose the money grows 50%

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~~43~~ Other States

$10,000 Investment grows 50% to
$15,000.
The person pays income tax on the
$5,000 growth when they withdraw it.

Maine

$10,000 Investment
\- 200 minus premium tax
$9,800 leaves grows 50% to $14,700
Person pays income tax on the $4,700 growth
when they withdraw it.

ANNUITY TAXES – WHO PAYS THE PRICE?

Average age of deferred annuity owners: 55. (source - DEFERRED ANNUITY OWNER STUDY:PROFILES, LIMRA, 2003)

Average annuity contract size, deferred annuity: $33,617. (source - DEFERRED ANNUITY OWNER STUDY:PROFILES, LIMRA, 2003)

Two-thirds of deferred annuity owners have income less than $75,000. (source - Deferred Annuity Owner Study: Characteristics and attitudes, LIMRA 2003)

Four-fifths of deferred annuity owners have income less than $100,000. (source - Deferred Annuity Owner Study: Characteristics and attitudes, LIMRA 2003)

60% have investable assets less than $250,000. (source - Deferred Annuity Owner Study: Characteristics and attitudes, LIMRA 2003)

Over one-half of annuity owners are women. (source - Deferred Annuity Owner Study: Characteristics and attitudes, LIMRA 2003)

Issue: Maine is one of only seven states in the nation that tax annuities purchased with after-tax dollars. This discriminates against those who purchase annuities to fund their own retirements.

Background: Annuities are used by millions of Americans as a long term savings vehicle to supplement their retirement income. Indeed, for many they are the only retirement savings products available outside of Social Security. Recognizing the need to encourage private retirement savings, the federal government defers taxing the income earned on an annuity until it is paid out.

Maine actually discourages retirement savings by imposing a tax on annuities purchased with after-tax dollars by individuals. Specifically, individuals and working families that are struggling to provide for their own retirement needs and still make ends meet have to pay a premium tax on their individual annuity purchases.

Impact: All but ~~seven~~ Six states fully exempt annuities from premium taxes in order to encourage their purchase by people saving for their own retirements.

- Annuity contributions funded with after-tax dollars have already been taxed; the annuity premium tax means that they are taxed once again.

- Maine insurers operate in a fiercely competitive market for retirement investment dollars against banks and other financial institutions. Since these other sellers pay no product specific tax, they don't have to add a tax on their products into the costs. Not taxing annuity products will maintain the level playing field in competition for retirement investments.

If annuities are subject to tax, this makes Maine less desirable as a resettlement location for retirees.

At a time when Americans are being encouraged to save for retirement it defies both logic and public policy to impose a tax on (and thus increase the price of) the very products that citizens use as their retirement savings vehicles.

Currently, only ~~seven~~ six states tax annuities and the last state to impose this tax was Pennsylvania in 1991—and they repealed that same tax in 1996. In fact, lately the trend has been towards repeal with seven states repealing the tax since 1995.