



CONSUMER
ATTORNEYS
OF CALIFORNIA



September 26, 2022

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

Re: Senate Bill 1496- Taxation: tax, fee, and surcharge administration: insurance tax rates. (SUPPORT)

Dear Governor Newsom,

As stakeholders in structured settlements, we write to express strong support of the Senate Committee on Governance and Finance omnibus bill, SB 1496, which addresses interpretation issues with the Gross Premiums tax to qualified structured settlements involving California residents. Structured settlements are a critically important tool to help ensure that injured plaintiffs can receive a lifetime stream of income once they have won a judgment, and the lack of clarity regarding the tax-exempt status of qualified settlements is in urgent need of attention.

SB 1496 would ensure qualified structured settlement annuities paid to injured consumers are kept whole. Structured settlement annuities are purchased to fund periodic payments to injury victims to help pay for their long-term medical care and living expenses, and other necessary care. In many cases, these payments last the entire lifetime of the beneficiary.

The current ambiguity in the California Insurance Code leaves open the possibility that some structured settlement annuities could be inadvertently subject to California's gross premium tax under Revenue and Taxation Code section 12221, when these types of annuities are otherwise intended to be exempt from federal income tax under federal law. In order to ensure these important financial products continue to provide full guaranteed tax-free periodic payments to injury victims, SB 1496 would clarify that qualified structured settlement annuities are not subject to state premium taxes.

The undersigned organizations therefore urge your signature on SB 1496. Thank you for your consideration.

Sincerely,

American Council of Life Insurers
Association of California Life and Health Insurance Companies
Consumer Attorneys of California
National Structured Settlements Trade Association

cc: Members of the Assembly Revenue & Taxation Committee
Members of the Board of Equalization
Michael Martinez, California Department of Insurance