BILL ANALYSIS

C.S.H.B. 3550
By: Delisi
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, there is an exemption for the tax on gross premiums for insurance companies that provide insurance, under contract, for the purpose of providing welfare benefits to designated welfare recipients. This exemption reduces the state's income from tax dollars and also reduces federal matching funds. The Health and Human Services Commission estimates that removing these exemptions would increase revenue by approximately $140 million. C.S.H.B. 3550 removes the gross premium tax exemption for insurance companies that provide policies to designated welfare recipients.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3550 removes the premium tax exemption for insurance companies that provide policies to designated welfare recipients. The provisions removing the premium tax exemption expire December 31, 2005.

The bill requires the Health and Human Services Commission to ensure that any experience or profit-sharing for the Child Health Plan and for managed care organizations is calculated by treating premium, maintenance, and other taxes as allowable expenses.

EFFECTIVE DATE

On passage or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 3550 modifies the original by adding sunset dates for provisions removing tax exemptions. The substitute removes the repealer of Article 27.05. The substitute adds provisions relating to the calculation of experience rebates and profit-sharing.