LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 12, 2007

TO: Honorable John T. Smithee, Chair, House Committee on Insurance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB1754** by Taylor (Relating to a premium tax credit for assessments paid for the Texas Health Insurance Risk Pool.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1754, As Introduced: a negative impact of ($192,376,000) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	($96,188,000)
2009	($96,188,000)
2010	($96,188,000)
2011	($96,188,000)
2012	($96,188,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *FOUNDATION SCHOOL FUND* 193
2008	($72,141,000)	($24,047,000)
2009	($72,141,000)	($24,047,000)
2010	($72,141,000)	($24,047,000)
2011	($72,141,000)	($24,047,000)
2012	($72,141,000)	($24,047,000)

Fiscal Analysis

The bill would amend the Insurance Code to establish a premium tax credit for health plan issuers for assessments paid to the Texas Health Insurance Risk Pool. Under the provisions of the bill, the tax credit would be applied to the taxes due in the calendar year following the calendar year in which the assessments were paid and would be allowed for the total assessment paid. The bill would also provide that an unused credit could be carried over to apply to the premium tax due in the five following consecutive calendar years.

The bill would take effect January 1, 2008.

Methodology

Based on the analysis of the Comptroller of Public Accounts, it is assumed that the annual assessment paid by health plan issuers to the Texas Health Insurance Risk Pool in fiscal years 2008 through 2012 would be an average of the two most recent annual assessments. For the purposes of this analysis, it is assumed that the full amount of assessments would be claimed as credit in the first year they are available to be claimed. It is also assumed that the first credit taken in calendar year 2008 would be limited to the assessment paid in calendar year 2007.

Since the insurance premium tax is classified as an occupation tax, 25 percent of its revenues are constitutionally dedicated to the Foundation School Fund. As such, it is assumed that the application of the proposed assessment credit would reduce insurers' insurance premium tax liabilities and thereby cause a loss both to the General Revenue Fund and to the Foundation School Fund (GR Account 0193).

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance

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