

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 16, 2007**

**TO:** Honorable Robert Duncan, Chair, Senate Committee on State Affairs

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

**IN RE: HB1849** by Hancock (Relating to certain fees for valuing life insurance policies.), As Engrossed

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1849, As Engrossed: a positive impact of \$8,400,000 through the biennium ending August 31, 2009.

**General Revenue-Related Funds, Five-Year Impact:**

| Fiscal Year | Probable Net Positive/(Negative)<br>Impact to General Revenue Related<br>Funds |
|-------------|--|
| 2008        | \$0  |
| 2009        | \$8,400,000  |
| 2010        | \$8,539,000  |
| 2011        | \$8,565,000  |
| 2012        | \$8,565,000  |

**All Funds, Five-Year Impact:**

| Fiscal Year | Probable Revenue<br>Gain from<br><i>GENERAL REVENUE<br/>FUND</i><br><b>1</b> | Probable Revenue<br>Gain from<br><i>FOUNDATION<br/>SCHOOL FUND</i><br><b>193</b> | Probable Revenue<br>(Loss) from<br><i>DEPT INS<br/>OPERATING ACCT</i><br><b>36</b> | Probable Revenue<br>Gain from<br><i>DEPT INS<br/>OPERATING ACCT</i><br><b>36</b> |
|-------------|--|--|--|--|
| 2008        | \$0  | \$0  | (\$9,150,000)  | \$9,150,000  |
| 2009        | \$6,300,000  | \$2,100,000  | (\$9,300,000)  | \$9,300,000  |
| 2010        | \$6,404,000  | \$2,135,000  | (\$9,330,000)  | \$9,330,000  |
| 2011        | \$6,424,000  | \$2,141,000  | (\$9,330,000)  | \$9,330,000  |
| 2012        | \$6,424,000  | \$2,141,000  | (\$9,330,000)  | \$9,330,000  |

**Fiscal Analysis**

The bill would amend the Insurance Code to eliminate the life valuation fee that is imposed on issuers of life insurance. The bill would eliminate the tax credit for fees paid for valuing life insurance policies.

The bill would take effect September 1, 2007.

**Methodology**

The life valuation fee is assessed on March 1 of each year on domestic life insurers at a rate of \$10 per \$1 million of life insurance in force at the end of the previous calendar year. The life valuation fee is collected by the Comptroller, initially deposited to the credit of General Revenue Fund 1, and then transferred to General Revenue - Dedicated Account Fund 36.

Based on the analysis of the Comptroller, the elimination of the tax credit would result in an increase to General Revenue Fund 1 and the Foundation School Fund 193. Life insurers are allowed to take a credit on any premium tax liability due on the following year's premium tax report and are not allowed to carry this credit forward. If the amount of the premium tax due is less than the credit available for that tax report, the portion of the credit in excess of the amount due is lost. The amount paid to the General Revenue - Dedicated Account Fund 36 typically exceeds the credits claimed against premium tax liability. This analysis assumes that insurers would be allowed to take a premium tax credit on their March 1, 2008 premium tax report for the life valuation fee payments made in the previous calendar year.

Based on the analysis of the Texas Department of Insurance, because General Revenue - Dedicated Account Fund 36 is a self-leveling account, it is assumed the elimination of the life valuation fee would result in an increase in other maintenance taxes. Because the life, accident, and health maintenance tax is currently assessed at the maximum rate allowed by statute, it is assumed this increase would affect other lines' of insurance maintenance tax rates.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

**LBB Staff:** JOB, KJG, JRO, MW, SK