

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

April 22, 2009

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

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

IN RE: HB1582 by Flynn (Relating to certain investments by insurance companies and related organizations.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1582, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

The estimated net impact to General Revenue Related Funds could total \$50,000,000 each year beginning in fiscal year 2015.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2015	(\$50,000,000)
2016	(\$50,000,000)
2017	(\$50,000,000)
2018	(\$50,000,000)
2019	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2015	(\$50,000,000)
2016	(\$50,000,000)
2017	(\$50,000,000)
2018	(\$50,000,000)
2019	\$0

Fiscal Analysis

The bill would amend the Insurance code to establish an additional Certified Capital Company (CAPCO) Investment Program under the title Program Three.

Program Three would be subject to the same investment, certification, tax credit, and compliance provisions in effect under current law; as such, the same provisions relating to claiming insurance premium tax credits apply to Program Three. To accommodate the new program, the date at which the Comptroller would accept premium tax credit allocation claims would be moved forward to no later than January 15, 2010. The first credits, totaling no more than \$50 million, could not be claimed until the tax report due in March 2015 for the 2014 tax year.

The bill would take effect September 1, 2009.

Methodology

Since new claims for insurance premium tax credits under Program Three could not be filed until fiscal 2015, there would be no fiscal impact during the five-year projection period from fiscal year 2010 to 2014. Starting in fiscal year 2015 and continuing until at least 2018, insurance premium tax credits totaling as much as \$50 million per year could be claimed each fiscal year until a total of \$200 million was reached.

To become a certified investment company and to continue existence as a certified investment company, an entity has to meet organizational and capitalization requirements and apply to the Comptroller for certification. An application must include a non refundable fee of \$7,500.

Part of the revenue loss will be offset by an annual renewal fee of \$5,000 assessed to each CAPCO. Based on current renewals, \$50,000 would be collected each fiscal year. In addition, the Comptroller is authorized to access administrative penalties on certified capital companies not in compliance with the law.

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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