

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 19, 2011

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

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

IN RE: HB2319 by Smithee (Relating to premium tax credits for examination and evaluation fees paid by insurers.), **As Introduced**

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| Estimated Two-year Net Impact to General Revenue Related Funds for HB2319, As Introduced: a positive impact of \$14,584,000 through the biennium ending August 31, 2013. |
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General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|---|
| 2012 | \$7,151,000 |
| 2013 | \$7,433,000 |
| 2014 | \$9,152,000 |
| 2015 | \$7,819,000 |
| 2016 | \$7,819,000 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain from General Revenue Fund 1 | Probable Revenue Gain from Foundation School Fund 193 |
|--------------------|--|--|
| 2012 | \$5,363,000 | \$1,788,000 |
| 2013 | \$5,575,000 | \$1,858,000 |
| 2014 | \$6,864,000 | \$2,288,000 |
| 2015 | \$5,864,000 | \$1,955,000 |
| 2016 | \$5,864,000 | \$1,955,000 |

Fiscal Analysis

The bill would implement a recommendation from the report, "End the Use of General Revenue Funds to Pay for Insurance Company Examinations," in the Legislative Budget Board's *Government Effectiveness and Efficiency Report* submitted to the Eighty-Second Texas Legislature, 2011.

The Texas Department of Insurance conducts periodic examinations of insurance carriers based in the state. Insurers pay examination fees to cover the costs of the examination and assessments to cover the overhead costs. Revenue from the fees and assessment are deposited to the Department of Insurance Operating Account. Insurers are allowed to take a tax credits against their insurance premium taxes, which are General Revenue Funds.

The bill would repeal insurance premium tax credits for insurance company examination fees and overhead assessments.

Methodology

Data from the Texas Department of Insurance and the Comptroller of Public Accounts were used to estimate the amount of examination fee and overhead assessment credits that would be available. These estimates were adjusted to reflect the historical percentage of examination fee credits that have been applied towards premium tax liability and the extent to which the repeal of these credits would marginally increase the use of other types of premium tax credits. The estimate assumes that no credits for examination fees and overhead assessments would be allowed in fiscal year 2012.

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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