

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 26, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1047 by Sheets (Relating to the regulation of certain surety companies.), **As Introduced**

Implementing the provisions of the bill would result in an indeterminate loss to the state due to an unknown decrease in premium tax revenue.

The bill would amend the Insurance Code relating to the regulation of certain surety companies. The bill would exempt premiums retained by a bail bond surety, or by a property and casualty agent in connection with the execution or delivery of a bail bond, from the insurance premium tax. In addition, surety companies could exclude such premiums in calculations of direct written premium reported in financial statements filed with the Texas Department of Insurance (TDI).

The bill would remove the requirement that surety companies maintain an unearned premium reserve for a bail bond, and require surety companies to report certain additional information on bail bond business premiums in financial statements filed with TDI.

Implementing the provisions of the bill would result in an indeterminate loss to the state due to an unknown decrease in premium tax revenue. According to the Comptroller of Public Accounts, surety insurance premiums are taxed at a rate of 1.6 percent under current law. In tax year 2011, all surety companies had \$447,875,000 of direct written premiums in Texas and paid \$9,271,000 in taxes and license fees. To the extent that the bill would reduce the amount of taxable surety insurance premiums, tax revenue would decline. However, the proportion of surety premiums that would result from bail bond sureties and the delivery and execution of bail bonds is unknown.

Based on information provided by the Comptroller of Public Accounts, the other provisions of the bill would have no fiscal impact. Based on information provided by the TDI, it is assumed that all duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

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: UP, AG, MW, ER, LXH