

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

March 30, 2021

TO: Honorable Tom Oliverson, Chair, House Committee on Insurance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1733 by Krause (Relating to insurance premium tax credits for investments supporting agriculture and rural development projects; authorizing a fee; providing an administrative penalty.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1733, As Introduced : a negative impact of (\$730,000) through the biennium ending August 31, 2023.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	(\$515,000)
2023	(\$215,000)
2024	(\$62,715,000)
2025	(\$62,715,000)
2026	(\$62,715,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Foundation School Fund 193	Change in Number of State Employees from FY 2021
2022	(\$515,000)	\$0	2.0
2023	(\$215,000)	\$0	2.0
2024	(\$47,090,000)	(\$15,625,000)	2.0
2025	(\$47,090,000)	(\$15,625,000)	2.0
2026	(\$47,090,000)	(\$15,625,000)	2.0

Fiscal Analysis

The bill would amend the Insurance Code relating to insurance premium tax credits for investments supporting agriculture and rural development projects. The bill would allow for the creation of agricultural development companies (ADC) that would make certain investments and would receive premium tax credit.

The bill would require the Comptroller of Public Accounts (CPA) to administer the new chapter of law, including preparation of a biennial report, review and approval of applications, review of ADC investments and distributions, annual review of ADCs, and adoption of rules. The bill would also require a \$7,500 application fee and an annual renewal fee of \$5,000 for approval as an ADC.

Investors in ADCs would receive a premium tax credit equal to the investors' approved investment. Beginning in fiscal year 2024, an investor could take up to 25 percent of the credit in any taxable year, including the ability to carry forward the credit.

If the CPA determines that anticipated revenues are not sufficient to finance appropriations made during the 87th Legislative Session, the CPA would not be required to implement the new chapter, or could implement the chapter with a reduced amount of premium tax credit under certain circumstances.

Methodology

Based on information provided by the CPA, this analysis assumes that ADC investments sufficient to result in premium tax credits of \$250 million will be approved. It is assumed that 25 percent of those credits will be redeemed in each of fiscal years 2024-2027. Premium tax revenue is allocated 75 percent to General Revenue Funds and 25 percent to General Revenue Account 0193 – Foundation School.

Based on information provided by the CPA, the estimated administrative costs to implement the bill include technology costs of \$0.3 million and 2.0 FTEs to comply with requirements. The bill requires the Comptroller to review and respond to applications of agriculture development companies, issue written reports regarding the qualification of a project and distribution, each within 30 days of request. The Comptroller is further required to conduct an annual review of each ADC and to issue a biennial report regarding the results of the program.

Technology

The anticipated technology impact of the bill includes a one-time cost of \$0.3 million to implement a new tax credit system enhancement (approximately 2,000 hours of programming).

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance, 551 Department of Agriculture
LBB Staff: JMc, AAL, MB, MPUK