

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 14, 2023

TO: Honorable Charles Schwertner, Chair, Senate Committee on Business & Commerce

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2366 by Thompson, Ed (Relating to the applicability of premium and maintenance taxes to the Texas Windstorm Insurance Association.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2366, As Engrossed : a negative impact of (\$15,994,000) through the biennium ending August 31, 2025.

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>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$8,015,000)
2025	(\$7,979,000)
2026	(\$8,216,000)
2027	(\$8,595,000)
2028	(\$8,971,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>	<i>Probable Revenue Gain/(Loss) from Foundation School Fund 193</i>
2024	(\$6,011,000)	(\$2,004,000)
2025	(\$5,984,000)	(\$1,995,000)
2026	(\$6,162,000)	(\$2,054,000)
2027	(\$6,446,000)	(\$2,149,000)
2028	(\$6,728,000)	(\$2,243,000)

Fiscal Analysis

The bill would amend Chapters 221 (Property and Casualty Insurance Premium Tax) and 252 (Fire and Allied Lines Insurance) of the Insurance Code to exempt Texas Windstorm Insurance Association (TWIA) premiums from the insurance premium and insurance maintenance taxes. The bill would take effect September 1, 2023.

Methodology

Certain insurance premiums in this state are subject to an insurance premium tax rate (1.6%) written in a given calendar year. According to the Comptroller of Public Accounts (CPA), based on information from the Texas Department of Insurance (TDI) and Texas Windstorm Insurance Association (TWIA), estimated TWIA premiums written in calendar year 2022 were \$521,191,000. Under current law, those premiums are subject to the insurance premium tax and have an estimated premium tax liability of \$8,339,000 in fiscal 2023.

Starting in calendar year 2023, this bill would remove the premium insurance tax placed upon TWIA premiums written in this state, impacting anticipated premium tax liabilities in fiscal year 2024. Additionally, Insurance premium taxes are allocated 75 percent to General Revenue Fund 0001 and 25 percent to Account 0193 – Foundation School Fund. This analysis assumes that the amount of TWIA premiums written would increase at the rate of growth of the median home price. Therefore, based on this assumption, the total revenue loss is estimated to be \$15,994,000; \$11,995,000 in General Revenue and \$3,999,000 in General Revenue Account - School Foundation Fund 0193 for the 2024-25 biennium.

Based on the analysis of the Department of Insurance (TDI), any duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources. Additionally, the provisions of this bill relating the the Insurance Maintenance Tax would have no effect on aggregate maintenance tax collections as the TDI sets the maintenance tax liability in amounts sufficient to fund operations.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

LBB Staff: JMc, SZ, AAL, GDZ, LBI, CMA