LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 25, 2025

TO: Honorable Angie Chen Button, Chair, House Committee on Trade, Workforce & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB4483** by Hefner (Relating to the funding mechanism for the regulation of workers' compensation and workers' compensation insurance; authorizing surcharges.), **As Introduced**

No significant fiscal implication to the State is anticipated.

However, the new surcharge would not be a considered a tax for the purposes of calculating retaliatory taxes which would result in an indeterminate increase in the retaliatory taxes collected from out-of-state workers' compensation insurers who provide insurance in Texas.

This bill would amend various chapters of the Insurance and Labor Codes relating to funding for the regulation of workers' compensation insurance. Under current law, workers' compensation insurers, workers' compensation self-insurers, and workers' compensation self-insurance groups are required to pay three different maintenance taxes on gross workers' compensation premiums. Under the provisions of the bill these maintenance taxes would be replaced with a single surcharge on workers' compensation premiums, not to exceed 2.7 percent.

Currently, the Texas Department of Insurance (TDI) sets workers' compensation maintenance taxes in amounts sufficient to cover the costs of regulation, not to exceed a combined 2.7 percent. Under the provisions of the bill, TDI would set a surcharge in an amount sufficient to cover the costs of regulating workers' compensation insurance, not to exceed 2.7 percent. As the maximum aggregate surcharge rate is equal to the combined maximum maintenance tax rate, the bill would have no effect on maintenance tax collections.

As the new surcharge would not be considered a tax for the purposes of calculating retaliatory taxes, this would result in an increase in the retaliatory taxes collected from workers' compensation insurers domiciled in other states (as well as a reduction in the amount of retaliatory taxes workers' compensation insurers domiciled in this state pay to other states). The amount of the increase in retaliatory taxes would depend on the exact tax rates imposed by the various home states of out-of-state insurers who provide insurance in Texas and the amount of premium collected by those insurers and cannot be estimated at this time.

It is assumed that any costs associated with the bill could be absorbed using existing resources.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either in, with, or outside the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 454 Department of Insurance, 479 State Office of Risk Management, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

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