

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 3835-01  
BILL NO.: HB 1595  
SUBJECT: Insurance - General; Revenue Department; Taxation and Revenue - General  
TYPE: Original  
DATE: January 29, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$2,191,455)	(\$2,191,455)	(\$2,191,455)
County Foreign Insurance	\$0	\$0	\$0
Insurance Dedicated	(\$41,267)	(\$46,090)	(\$47,259)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$2,232,722)</b>	<b>(\$2,237,545)</b>	<b>(\$2,238,714)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>(\$2,191,455)</b>	<b>(\$2,191,455)</b>	<b>(\$2,191,455)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume this proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning** deferred to the estimates provided by the INS.

Officials from the **Department of Insurance (INS)** state that they based their estimate on only those credits specifically listed in 148.400 and not other tax credits including guaranty association and economic development tax credits. The six tax credits the department has used in estimating the loss of revenue on are Examination fees, personal property tax, income tax, franchise tax, valuation fees, and registration fees. The excess credits for 1997 and 1998 are known for three of the six tax credits: examination fees, valuation fees and registration fees. The tax credits carried forward are estimated based on this information.

Tax Credit	Estimated Tax Carried Forward
Examination Fee	\$1,929,009
Personal Property Tax	2,322,848
Income Tax	60,389
Franchise Tax	12,648
Valuation Fees	21,432
Registration Fees	47,585
Total Annual Revenue Loss	\$4,382,911

In addition to one Accountant to verify and track the tax credits being carried forward, the department would need to re-write the premium tax credit sub-system using a relational database system to allow for accounting of the tax credits and carryover. This would require approximately 760 hours of programming and IT staff time to implement. The department would attempt to accomplish this using existing staff, but it may be necessary to contract for some of the programming time. Contract programming averages \$125 per hour and additional appropriation may be requested if needed to implement this proposal.

FISCAL IMPACT - State Government

FY 2001  
(10 Mo.)

FY 2002

FY 2003

GENERAL REVENUE FUND

MPW:LR:OD:005 (9-94)

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Loss - Department of Insurance</u>			
Carryover of premium tax credits	<u>(\$2,191,455)</u>	<u>(\$2,191,455)</u>	<u>(\$2,191,455)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$2,191,455)</u></b>	<b><u>(\$2,191,455)</u></b>	<b><u>(\$2,191,455)</u></b>
<b>COUNTY FOREIGN INSURANCE FUND</b>			
Savings - Department of Insurance			
Less distributions to local political subdivisions	\$2,191,455	\$2,191,455	\$2,191,455
<u>Loss - Department of Insurance</u>			
Carryover of premium tax credits	<u>(\$2,191,455)</u>	<u>(\$2,191,455)</u>	<u>(\$2,191,455)</u>
<b>ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>INSURANCE DEDICATED FUND</b>			
<u>Costs - Department of Insurance</u>			
Personal service (1 FTE)	(\$23,924)	(\$29,439)	(\$30,175)
Fringe benefits	(\$10,642)	(\$13,096)	(\$13,423)
Expense and equipment	<u>(\$6,701)</u>	<u>(\$3,555)</u>	<u>(\$3,661)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$41,267)</u>	<u>(\$46,090)</u>	<u>(\$47,259)</u>
<b>ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND</b>	<b><u>(\$41,267)</u></b>	<b><u>(\$46,090)</u></b>	<b><u>(\$47,259)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**LOCAL POLITICAL SUBDIVISIONS**

Loss - Local Political Subdivisions

Less distributions from County Foreign Insurance Fund	<u>(\$2,191,455)</u>	<u>(\$2,191,455)</u>	<u>(\$2,191,455)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$2,191,455)</u></b>	<b><u>(\$2,191,455)</u></b>	<b><u>(\$2,191,455)</u></b>
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FISCAL IMPACT - Small Business

Small insurance companies that have unused premium tax credits would be fiscally impacted to the extent they could use the credits in future years.

DESCRIPTION

This proposal would allow credits that exceed the liability of insurance premiums tax to be carried forward to future tax years. Refunds of excess credits would not be allowed.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance  
Department of Revenue  
Office of Administration  
Division of Budget and Planning



Jeanne Jarrett, CPA  
Director  
January 29, 2000