

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0841-01
Bill No.: HB 213
Subject: Insurance - General; Insurance Department
Type: #Corrected
Date: January 24, 2001

#Corrected assumptions and revenue impact in FY2002.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue#	\$0	(\$964,504)	(\$964,504)
Insurance Dedicated#		(\$95,000)	\$0
County Foreign Insurance#	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$1,059,504)	(\$964,504)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government#	\$0	(\$964,504)	(\$964,504)

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.

Department of Insurance (INS) officials state that in 1997 examination fees exceeding tax liability was \$2,014,964 and was \$1,843,054 for 1998. INS states that using this information they estimate that \$1,929,009 in examination fees would be carried forward each year split between the General Revenue Fund and the County Foreign Insurance Fund. INS 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 from year to year. INS estimates this would require approximately 760 hours of contract programming to implement. INS estimates that contract programming costs would be \$125 per hour. INS states this would be a one-time cost to the Insurance Dedicated Fund.

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to our fiscal impact request.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Loss - Department of Insurance</u>			
Premium taxes#	<u>\$0</u>	<u>(\$964,504)</u>	<u>(\$964,504)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$964,504)</u>	<u>(\$964,501)</u>
INSURANCE DEDICATED FUND			
<u>Cost - Department of Insurance</u>			
Contract programming#	<u>\$0</u>	<u>(\$95,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$0</u>	<u>(\$95,000)</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
COUNTY FOREIGN INSURANCE FUND			
Savings - Department of Insurance Less distributions to local political subdivisions#	\$0	\$964,504	\$964,504
<u>Loss - Department of Insurance</u> Premium taxes#	<u>\$0</u>	<u>(\$964,504)</u>	<u>(\$964,504)</u>
ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss - Local Political Subdivisions</u> Less distributions	<u>\$0</u>	<u>(\$964,504)</u>	<u>(\$964,504)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(\$964,504)</u>	<u>(\$964,504)</u>

FISCAL IMPACT - Small Business

Small insurance companies that have excess examination fees would be fiscally impacted to the extent they could be use the carryforward in future years.

DESCRIPTION

This proposal would allow insurance entities to carry forward to subsequent tax years those deductions for examination fees which exceed an entity's premium tax liability for the current tax year.

DESCRIPTION (continued)

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 Revenue
Department of Insurance

NOT RESPONDING: Office of Administration - Division of Budget and Planning



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Director

January 24, 2001