

State Corporation Commission 2003 Fiscal Impact Statement

1. Bill Number SB854

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Stosch

3. Committee Finance

4. Title Gross premium license tax on insurance companies.

5. Summary/Purpose: Specifies that the Commission notify the insurer of all additional amounts of tax owed and the penalties owed for having failed to pay license taxes timely. The payments of additional amounts owed and penalties applicable thereto are due within 14 days of the date of the notice to the insurer. If such additional amounts are not paid when due, the State Corporation Commission may suspend or revoke the insurer's license. The measure also provides for refunds of overpayments of penalties, and defines the terms "preceding year's tax" as the tax ascertained on the preceding year's tax report and "tax" as the amount derived by multiplying the direct gross premium income in the taxable year by the tax rate.

6. No Fiscal Impact on state agencies

7. Budget amendment necessary: No

8. Fiscal implications: None

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: Senator Stosch introduced Senate Bill 854 at the request of the State Corporation Commission Bureau of Insurance. There is no revenue impact, as these are funds that were already owed to the Commonwealth. The changes only encourage the timely payment of all amounts due. Further, the bill does not affect the amount of penalty owed by the insurance company. Existing law in Chapter 25 of Title 58.1 of the Code of Virginia states that a penalty was due for failure to pay, but fails to state when the payment of the penalty is due. With no specific time frame delineated in the statute, some insurance companies failed to pay the amounts due to the Bureau of Insurance in a timely manner. By amending Chapter 25 of Title 58.1 to state that penalties are due within 14 days, this bill will track existing provisions in Chapter 4 of Title 38.2 (Assessments Chapter) that guides insurers as to the payment of assessments against them for such programs as flood, fire, motor vehicle theft and

maintenance of the Bureau of Insurance, among others. Senate Bill 854 places that same 14 -day requirement in Chapter 25 of Title 58.2, thus making the requirements with regard to penalties on assessments and penalties on premium license tax consistent for insurance companies to apply. It is also important to note that the Bureau cannot proceed to suspend or revoke an insurance company's license until 60 days after taxes are due; an insurance company, therefore, would have a minimum of 74 days to pay any penalties owed before the Bureau could proceed to suspend or revoke its license by going to the Commission. The Bureau shared this proposal with industry in November, and there was no opposition.

Date: 01/12/03/V.Tompkins

cc: Secretary of Finance