

Department of Planning and Budget 2019 Fiscal Impact Statement

1. **Bill Number:** HB 2444

House of Origin	<input checked="" type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. **Patron:** Wilt

3. **Committee:** Commerce and Labor

4. **Title:** Legal service plans

5. **Summary:** Repeals provisions under which the State Corporation Commission regulates legal services plans and under which the Department of Agriculture and Consumer Services regulates sellers of legal services plans. The measure also eliminates the premium tax assessed on legal services plans.

6. **Budget Amendment Necessary:** Yes, Item 92 of HB1700/SB1100.

7. **Fiscal Impact Estimates:** Preliminary. See item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2020	(\$74,012)	(1 FTE)	Nongeneral
2021	(\$74,012)	(1 FTE)	Nongeneral
2022	(\$74,012)	(1 FTE)	Nongeneral
2023	(\$74,012)	(1 FTE)	Nongeneral
2024	(\$74,012)	(1 FTE)	Nongeneral
2025	(\$74,012)	(1 FTE)	Nongeneral

7b.1.Revenue Impact: Indeterminate to the General Fund (see item 8).

7b.2.Revenue Impact: Department of Agriculture and Consumer Services

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2020	(\$159,050)	Nongeneral
2021	(\$159,050)	Nongeneral
2022	(\$159,050)	Nongeneral
2023	(\$159,050)	Nongeneral
2024	(\$159,050)	Nongeneral
2025	(\$159,050)	Nongeneral

8. **Fiscal Implications:** According to the Department of Taxation, the impact of this bill on general fund revenues is indeterminate. This bill would exempt legal services plans from the Insurance Premiums License Tax, and therefore make them subject to the corporate income tax. Because the Insurance Premiums License Tax and the corporate income tax are determined using separate formulas, the extent to which legal service plans may be subject to

the corporate income tax is uncertain. It is anticipated that legal service plans may have a lower tax liability under the corporate income tax rather than the Insurance Premiums License Tax; as such, this bill may have a negative general fund revenue impact.

The bill eliminates the requirement for legal services plan sellers to register with the Virginia Department of Agriculture and Consumer Services (VDACS), which will result in a fiscal impact on VDACS. The elimination of the registration requirement will result in the elimination of one FTE and the reduction of associated administrative costs such as credit card transaction fees and information technology expenses for the program's online registration system. In addition, the associated nongeneral fund revenue collected from the registration fees will cease. In FY 2018, VDACS registered 3,133 legal services plan sellers in the Commonwealth, which generated \$159,050 in nongeneral fund revenue. The elimination of one FTE will result in VDACS incurring costs associated with Workforce Transition Act benefits, which VDACS is unable to calculate at this time. As a result, the expenditure impact in FY 2020 will reflect reduced savings (increased costs).

The bill eliminates the requirement that the State Corporation Commission regulate legal service plans. Currently, the Commission regulates five legal service plans. The Commission does not anticipate an impact to operations as a result of this bill.

9. Specific Agency or Political Subdivisions Affected: Department of Agriculture and Consumer Services; State Corporation Commission; Department of Taxation.

10. Technical Amendment Necessary: No.

11. Other Comments: None.