

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Clarence E. Phillips
3. **Committee** House Commerce and Labor
4. **Title** License Tax on Insurance Companies

2. **Bill Number** HB 1173

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would create a new assessment for licensed insurance companies that do business in the Commonwealth and that issue policies or contracts for any type of property or casualty insurance. The assessment would be in the amount of one-half percent of the total direct gross premium income. All funds collected from this new assessment would be credited to the Virginia Public Safety Fund.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

Administrative Impact

This bill would have no impact on the administrative costs of the Department of Taxation. The State Corporation Commission may incur some costs associated with implementing and collecting the new assessment.

Adding a new assessment would necessitate a few system programming changes to the State Corporation Commission's (SCC) business rules, but since the SCC already collects other assessments insurers pay, there would be only a minimal impact.

Revenue Impact

The introduced Executive Budget assumes the passage of this bill. As a result, this bill would have no fiscal impact. The following amounts were incorporated into the Executive Budget for this bill and dedicated to fund programs from the Virginia Public Safety Fund: \$22.9 million in Fiscal Year 2011 and \$45.8 million every fiscal year thereafter.

9. Specific agency or political subdivisions affected:

State Corporation Commission

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Insurance companies are subject to an annual license tax for the privilege of doing business in Virginia. The tax is levied on the direct gross premium income of an insurance company and is collected by the State Corporation Commission. Tax rates vary depending on the type of insurance.

For property and casualty insurance, the tax rate is currently 2.25 percent.

Property/casualty insurance is insurance on homes, cars, and businesses. Property insurance protects a person or business with an interest in physical property against its loss or the loss of its income-producing abilities. Casualty insurance protects a person or business against legal liability for losses caused by injury to other people or damage to the property of others.

The Virginia Public Safety Fund was created in 1994. This Fund has been used to pay for critical law enforcement and public safety services.

Proposal

This bill would create a new assessment for licensed insurance companies that do business in the Commonwealth and that issue policies or contracts for any type of property or casualty insurance. The assessment would be in the amount of one-half percent of the total direct gross premium income. This would increase the rate from 2.25 percent to 2.75 percent.

If the applicable company does not have any direct gross premium income or the direct gross premium income is insufficient to produce an assessment of at least \$100, the company would be assessed a contribution of \$100.

All funds collected from this new assessment would be credited to the Virginia Public Safety Fund. These funds would be used for the state police, sheriffs, and local public safety.

The effective date of this bill is not specified.

Similar Bills

Senate Bill 466 is identical to this bill.

cc : Secretary of Finance

Date: 1/19/2010 JKM
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