

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 0003A Insurance Premium Taxes
SPONSOR(S): Brummer
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Appropriations		Rayman	Hansen
2)			
3)			
4)			
5)			

SUMMARY ANALYSIS

HB 03A substantially amends ss. 626.932 and 626.938, Florida Statutes, to change the distribution percentages of taxes collected on premiums for surplus lines insurance. The proposed change reduces the distribution of tax deposited to the Insurance Commissioner's Regulatory Trust Fund and increases the distribution of tax deposited to the General Revenue Fund.

It is estimated that this bill will redirect \$35 million annually from the Insurance Commissioner's Regulatory Trust Fund to the General Revenue Fund beginning in Fiscal Year 2003-04.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

B. EFFECT OF PROPOSED CHANGES:

Background

Surplus lines insurance refers to a high risk category for which there is no market available through standard insurance carriers. Typical categories of this nature are homeowners’ insurance in hurricane prone regions, commercial aircraft, and some sea vessels. Florida law provides stringent qualifications for those agents who insure surplus lines and those agents must be registered with the Department of Financial Services.

Currently, there is a 5% tax on premiums for surplus lines. The proceeds of the tax are distributed to the Insurance Commissioner’s Regulatory Trust Fund (55%) and to the General Revenue Fund (45%). The Insurance Commissioner’s Regulatory Trust Fund provides partial funding to the Department for its administrative and regulatory functions.

Section 626.932, F.S., provides for the distribution of taxes collected on premiums for surplus lines insurance.

Section 626.938, F.S., provides for the report and tax of independently procured coverage.

Effect of Bill

HB 03A reallocates the percentage distribution of taxes collected pursuant to s. 626.932, F.S. The proposed legislation modifies the percentage distribution to the Insurance Commissioner’s Regulatory Trust Fund to 24.3% and the percentage distribution to the General Revenue Fund to 75.7%. It is estimated that the new distribution formula will deposit an additional \$35 million for FY 2003-04 into the General Revenue Fund.

C. SECTION DIRECTORY:

Section 1: Amends subsection (5) of section 626.932, F.S., for the percentage distribution of taxes on surplus lines tax.

Section 2: Amends subsection (7) of section 626.938, F.S., for the reporting and tax of independently procured coverage.

Section 3: Provides qualification for any of the amended laws to be construed as if the amended law was enacted during the 2003 Regular Session of the Legislature.

Section 4: Provides an effective date of July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Fiscal Year	Current Law			Proposed Change		
	GR Share	TF Share	Total	GR Share	TF Share	Total
2001-02	\$35.2	\$43.0	\$78.2	-	-	-
2002-03	\$42.1	\$51.5	\$93.6	-	-	-
2003-04	\$48.4	\$59.2	\$107.6	\$83.4	\$24.2	\$107.6

See fiscal comment below.

2. Expenditures: None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None.

2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR: None.

D. FISCAL COMMENTS:

It is estimated that this bill will redirect \$35 million annually from the Insurance Commissioner's Regulatory Trust Fund to the General Revenue Fund beginning in Fiscal Year 2003-04. The increase in tax proceeds from surplus lines insurance is expected to remain relatively constant, thereby providing an increasing deposit into the General Revenue Fund. However, deposits made into the Insurance Commissioner's Regulatory Trust Fund will decrease as a result of the new distribution.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision: None.

2. Other: None.

B. RULE-MAKING AUTHORITY: None.

C. DRAFTING ISSUES OR OTHER COMMENTS: None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES