

BILL ANALYSIS

Senate Research Center

H.B. 1837
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Finance
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Engrossed

DIGEST

In Texas, all insurance companies, except nonprofit cooperatives, farm mutual companies, and fraternal organizations, are subject to the premium tax. The premium tax rate varies depending on several factors, including the type of insurance the insurer sells, the insurer's place of domicile, and, in some cases, the level of investment a company has made in Texas-backed securities. Under the varying tax scheme, also called a tiered tax system, all property and casualty insurers are required to pay at a rate of 3.5 percent, and all title insurers at a rate of 2 percent. However, the Insurance Code permits these companies to qualify for a lower tax rate if they maintain certain tax levels in Texas-backed securities. For a property and casualty insurer, ownership of Texas investments with a value between 85 and 90 percent of those investments owned in a comparison state reduces the rate from 3.5 percent to 2.4 percent. If the property and casualty insurer owns Texas investments with a greater value than 90 percent of the value of investments owned in a comparison state, the rate is reduced to 1.6 percent. For a title insurer, ownership of Texas investments with a value greater than 90 percent of those investments owned in a comparison state reduces the rate from 2 percent to 1.3 percent. H.B. 1837 would establish conditions regarding certain insurance taxes.

PURPOSE

As proposed, H.B. 1837 establishes conditions regarding certain insurance taxes.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the comptroller in SECTION 4 (Article 21.46(d), Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 12, Article 1.14-1, Insurance Code, by adding Subsection (f), to define "premium."

SECTION 2. Amends Section 10, Article 4.10, Insurance Code, to provide that there is imposed on each insurance carrier subject to this article an annual tax equal to 1.6 percent, rather than 3.5 percent of its premium receipts. Deletes text regarding the qualification of a lower tax rate for certain insurance carriers.

SECTION 3. Amends Section 4, Article 9.59, Insurance Code, to provide that there is a premium on title insurance annual tax equal to 1.35 percent, rather than 2 percent. Deletes text authorizing a title insurance company to remit on a lower tax rate providing certain conditions.

SECTION 4. Amends Article 21.46, Insurance Code, as follows:

Art. 21.46. RETALIATORY PROVISIONS; PAYMENT OF TAXES, FINES, PENALTIES, ETC.;
CONDITION PRECEDENT TO DOING BUSINESS IN STATE EXEMPTIONS.

Sec. 1. RETALIATORY TAX. Defines "similar type insurance company" and "basic rate of taxation." Establishes that whenever by the laws of any other state or territory of the United States any mandatory provisions are imposed upon any insurance company organized in this state that might theoretically be licensed and doing business in such other state or territory, the comptroller shall impose and collect certain mandatory provisions. Defines "mandatory provisions." Authorizes the comptroller, by rule, to prescribe procedures for the administration of this article, including a method of comparing the highest aggregate rate of taxation that would be imposed on

certain insurance companies. Deletes text regarding taxes, including income and corporate franchise, licenses, fees, fines, penalties, deposit requirements or other obligations, prohibitions or restrictions. Makes conforming and nonsubstantive changes.

Sec. 2. OTHER RETALIATORY PROVISIONS. Makes a conforming change.

SECTION 5. Repealers: (1) Sections 7, 8, and 9, Article 4.10, Insurance Code (regarding amount of taxes, Texas investments defined, and similar investments defined).

(2) Sections 13 and 14, Article 9.59, Insurance Code (regarding Texas investments defined and similar investments defined).

SECTION 6. Provides that SECTION 1 of this Act clarifies the law as it existed immediately before the effective date of this Act and may not be interpreted to imply that the law as it existed immediately before the effective date of this Act is inconsistent with the law as amended by this Act.

SECTION 7. Makes application of SECTIONS 2, 3, and 5 of this Act prospective to January 1, 2000.

SECTION 8. Emergency clause.
Effective date: 90 days upon adjournment.