

SUBJECT: Franchise tax exemptions for certain insurance companies

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 7 ayes — Hilderbran, Otto, Bohac, Button, N. Gonzalez, Ritter, Strama
0 nays
2 absent — Eiland, Martinez Fischer

WITNESSES: For — (*Registered, but did not testify:* Susan Bittick; Walter Fisher, Property Casual Insurance Association; Nelson Salinas, Texas Association of Business)
Against — None
On — (*Registered, but did not testify:* Ed Warren, Comptroller’s Office)

DIGEST: CSHB 3454 would strike references to Insurance Code, chs. 4 and 9.

The bill would provide that a nonadmitted insurance organization was exempted from the franchise tax if they were subject to an occupation tax that was imposed for the privilege of doing business in another state or a foreign jurisdiction, including a tax on gross premium receipts.

The bill would apply to the first report due on or after the bill’s effective date.

The bill would take effect January 1, 2014.

SUPPORTERS SAY: HB 3454 would change Texas law to ensure that “nonadmitted” insurance organizations were not subject to the Texas franchise tax.

Unlike state-licensed insurance companies that go through Texas Department of Insurance’s rate and form review process, nonadmitted companies are not licensed by Texas but operate here to provide specialized insurance policies that many consumers want and need. Most of these companies are known as “surplus lines carriers” and they may sell policies, for example, on an art collection, which a licensed company

in the standard market is unwilling to insure. To legally sell in Texas, a surplus lines company must be licensed in its home state or country and register with TDI.

HB 3454 would ensure these insurance companies would be eligible for the same exemptions that Texas-licensed insurance companies receive.

The Legislative Budget Board's fiscal note states that no significant impact to the state is anticipated.

OPPONENTS
SAY:

No apparent opposition.