

SUBJECT: Revisions to statutes governing the collection of insurance taxes

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 5 ayes — Keffer, Ritter, Otto, Paxton, Pitts

1 nay — Y. Davis

3 absent — Bonnen, Flores, Peña

WITNESSES: For — None

Against — None

On — Gary Johnson, Texas Comptroller's Office

DIGEST: CSHB 3315 would revise and update 17 sections of the Insurance Code related to taxes and assessments for insurance. The bill would:

- specify that home warranty insurance was subject to insurance premium taxes and that all title insurance premiums were subject to an annual tax;
- authorize the comptroller by rule to establish that all surplus lines premiums were considered to be on risks located in Texas if the insurer's home office was in Texas, or to accommodate changes in federal law that otherwise would limit the comptroller's ability to collect these taxes; and to adopt rules regarding the pre-payment of premium taxes for surplus lines;
- allow the comptroller to enter into cooperative, reciprocal or compact agreements with other states for the collection of premium taxes on a multi-state basis, specifying different provisions that could be included in such an agreement; and
- allow the comptroller to enter into "reciprocity agreements" with another state to protect domestic insurers from excessive taxation.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

**SUPPORTERS
SAY:**

CSHB 3315 would update and revise statutes governing the imposition and collection of insurance taxes by the Comptroller's Office and conform certain provisions of the Insurance Code with new or pending federal laws. The comptroller would have the authority to enter into agreements with other states regarding retaliatory taxes when the states could not agree. Without such authority, the only way to resolve these disputes would be through litigation.

The bill would facilitate the collection of taxes by the comptroller in a variety of areas. By giving the comptroller rulemaking authority in such areas as prepayment of surplus lines, the bill would allow the office to act more quickly to respond to problems as they arose in various areas of insurance tax collection.

**OPPONENTS
SAY:**

The bill would give the comptroller too much authority through rulemaking that should remain with the Legislature. Decisions about insurance taxes, reciprocity with other states, and other issues should be made by the Legislature and defined in statute and not determined by the Comptroller's Office.

NOTES:

The companion bill, SB 1850 by Duncan, is pending in the Senate Finance Committee.