

REVENUE: Revenue statement issued
FISCAL: No fiscal impact

Action:	Do Pass and Be Referred to the Joint Committee on Tax Credits by Prior Reference
Vote:	8 - 0 - 0
Yeas:	Conger, Doherty, Esquivel, Hoyle, Johnson, Matthews, Kennemer, Schaufler
Nays:	0
Exc.:	0
Prepared By:	Theresa Van Winkle, Administrator
Meeting Dates:	2/21, 2/28

WHAT THE MEASURE DOES: Extends the sunset for the tax credit for insurers transacting fire insurance to January 1, 2018. Takes effect on the 91st day following adjournment sine die.

ISSUES DISCUSSED:

- How the fire insurance gross premiums tax is calculated
- Percentage of positions at the Office of State Fire Marshal funded by the tax

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Property and casualty insurers that write fire insurance policies pay both corporation income tax and fire insurance gross premiums tax, which is used to fund the Office of State Fire Marshal. They are then allowed a credit against the corporation income tax for paid fire insurance premium taxes. The gross premium tax, outlined in ORS 731.820, requires affected insurers to pay a tax to the Department of Consumer and Business Services, on or before April 1st of each year, that is equal to one percent of the gross amount of premiums received by the insurer or its producers, from and under its policies covering current domestic risks in the preceding calendar. After deducting the amount of return premiums paid and the amount of dividend payments made to policyholders. In the case of a reciprocal insurer (an unincorporated aggregation of persons known as “subscribers,” operating individually and collectively through an attorney in fact common to all such persons, interexchanging among themselves reciprocal agreements of indemnity), the deduction is replaced with the amount of savings paid or credited to the accounts of subscribers with respect to such policies.

According to the Department of Revenue’s *2011-13 Tax Expenditure Report*, for the 2007 tax year, approximately 280 taxpayers and property and casualty insurers that write fire insurance policies benefitted from this credit. On average, the taxpayers reduced their tax liability by \$15,000.

The statute which established the tax credit was enacted in 1969, and was last modified in 2009 via the enactment of HB 2067.