



Department of Consumer and Business Services

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**Increase in Fire Marshal Premium Tax
HB 2084**

House Bill 2084 proposes to increase the rate of the tax on gross fire insurance premiums from 1 percent to 1.2 percent (“Fire Marshal tax”). This tax increase, in turn, may impact two other taxes, the retaliatory tax and the corporate excise tax.

The gross premium tax on fire insurance premium funds activities of the State Fire Marshal. The tax is paid by all insurers transacting insurance that covers the peril of fire in Oregon. The current rate is one percent of the gross amount of premiums received by the insurer annually. Moneys collected are credited to an account of the State Fire Marshal to carry out its responsibilities.

The corporate excise tax is imposed on all entities doing business in Oregon with some exceptions. Some insurers are subject to payment of the corporate minimum tax. Under Oregon law, an insurer that pays the corporate excise tax and the gross premium tax on fire premiums is permitted a tax credit for the premium tax. However, an insurer that pays the minimum tax cannot take the tax credit. The corporate excise tax is paid into the General Fund.

The retaliatory tax is an “equalization” tax intended to keep Oregon domestic insurers on an equal footing with the foreign (domiciled in another state) and alien (domiciled in another country) insurers. This tax is not paid by Oregon’s domestic insurers. Basically, it is a tax imposed on these foreign and alien insurers equal to the amount the other states or nations tax Oregon’s domicile insurers. Because it is intended to achieve an equal taxation, if one of Oregon’s taxes is increased (e.g., the fire premium tax), the retaliatory tax may decrease because the amount of excess tax Oregon’s domestic insurers pay in another state is less). Moneys collected under the retaliatory tax are also deposited into the General Fund.

As a general rule, if the fire premium tax is increased, the General Fund is reduced Approximately 80 % of the increase in the Fire Marshal tax would be offset by a reduction in the General Fund resulting from a reduction in either the retaliatory tax or excise tax.

The examples attached provide a picture of how these three taxes are impacted and by what kind of insurer when the rate of the gross fire premium tax goes up.

For additional information, please contact either Lynette Hadley, 503-947-7046 or Jeannette Holman, 503-947-7234.