

**REVENUE IMPACT OF
PROPOSED LEGISLATION**
Seventy-Seventh Oregon Legislative
Assembly
2013 Regular Session
Legislative Revenue Office

Bill Number: HB 2084 - 1
Revenue Area: Other Fund
Economist: Dae Baek
Date: 3/6/2013

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Measure Description: Increases the rate of gross premium tax paid by insurers on fire insurance policies. Applies to gross premium taxes paid on or after January 1, 2014. Takes effect on the 91st day after adjournment sine die.

Revenue Impact (in \$Millions):

	Fiscal Year		Biennium		
	2013-14	2014-15	2013-15	2015-17	2017-19
Net Revenue	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.5	\$ 0.6
Fire Insurance Premium Tax	\$ 0.5	\$ 1.2	\$ 1.7	\$ 2.5	\$ 2.8
General Fund (Total Impact)	-\$ 0.4	-\$ 1.0	-\$ 1.4	-\$ 2.0	-\$ 2.2
Corporate Excise Tax	-\$ 0.1	-\$ 0.3	-\$ 0.5	-\$ 0.7	-\$ 0.7
Retaliatory Tax	-\$ 0.3	-\$ 0.6	-\$ 0.9	-\$ 1.3	-\$ 1.5

Data Source: Insurance Division, Oregon Department of Consumer and Business Services

Impact Explanation: The bill increases the rate of fire insurance premium tax from one percent to 1.15 percent of gross premium. While there will be an increase in fire insurance premium taxes, there will be a reduction in the General Fund revenue, resulting from lower corporate excise taxes and lower retaliatory taxes.

The Oregon law allows a tax credit to an insurer for the gross premium tax paid on fire insurance premium tax. Consequently, an increase in the premium taxes leads to a decline in corporate excise taxes. At the same time, higher insurance premium taxes in Oregon will result in lower retaliatory taxes paid by out-of-state insurers. A retaliatory tax is an equalization tax intended to keep Oregon domicile insurers on an equal footing with out-of-state counterparts. Other states have similar taxes. When Oregon increases an insurance premium tax, there will be a decline in the amount of excess taxes, or retaliatory taxes, paid to other states by Oregon's domicile insurers for the operation in these states. In return, Oregon will see lower retaliatory taxes paid by out-of-state insurers.

Creates, Extends, or Expands Tax Expenditure: Yes No