

77TH OREGON LEGISLATIVE ASSEMBLY  
2013 REGULAR SESSION  
STAFF MEASURE SUMMARY  
HOUSE REVENUE COMMITTEE

MEASURE: HB 2084 - 1  
CARRIER:

REVENUE:  
FISCAL:

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Action:  
Vote:

Yeas:  
Nays:  
Exc.:

Prepared By: Dae Baek, Economist  
Meeting Dates: 2/12, 3/13

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**WHAT THE BILL DOES:** 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.

**ISSUES DISCUSSED:**

- Purpose and use of fire insurance premium tax
- Tax incidence
- Impact of fire insurance premium tax on general fund revenue

**EFFECT OF COMMITTEE AMENDMENTS:** Removes an escalation clause that kicks in when the amount of actual premium tax collection comes in below its projection.

**BACKGROUND:** 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.

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State Capitol Building  
900 Court St NE, Room 143  
Salem, OR 97301-1347

Phone: 503-986-1266  
Fax: 503-986-1770  
<http://www.leg.state.or.us>