

77TH OREGON LEGISLATIVE ASSEMBLY
2013 REGULAR SESSION
STAFF MEASURE SUMMARY
SENATE FINANCE AND REVENUE COMMITTEE

MEASURE: HB 2084 - A
CARRIER: Sen. Burdick

REVENUE: Revenue Impact Statement Issued
FISCAL: Fiscal Impact Issued

Action: Do Pass the A-Eng. Bill
Vote: 3-0-2
Yeas: Hass, Rosenbaum, Burdick
Nays: 0
Exc.: Ferrioli, George

Prepared By: Dae Baek, Economist
Meeting Dates: 5/6, 5/8

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:

- Impact of Fire Insurance Premium Tax (FIPT) on other revenue sources
- Programs that FIPT revenue support and need for additional revenue
- Reliance on Other Funds vs. direct allocation from the General Fund in funding certain programs

EFFECT OF COMMITTEE AMENDMENTS: No Amendment

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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