



HB 2075 & SB 171 Don't extend the sunset for the Fire Insurance Premium Tax

Tax Credits Committee – Jody Wisner – 6.9.2017

The State Fire Marshal and the Department of Public Safety and Training (police and fire training) as well as the arson department clearly provide services essential to insurance companies and policy holders. Oregon's 1.15% Fire Insurance Premium Tax (FIPT), generates \$25m in funds to pay for these services, which would otherwise need to be funded via fees or the General Fund.

Given the sunset of the tax credit, we wondered why or if the tax credit makes sense, so one of our researchers went to work. She found a list from several years ago which said 12 states use the FIPT, and reached out to those states to explore whether a tax credit is common practice. It is not.

Results: she reached five states asking about the FIPT and funding of state fire marshal offices. She found **no other state that gives the insurance companies a tax credit or in another way returns the funds.** Further, each person she spoke with believes **the policy holders, not the insurance companies actually pay the tax, which makes our tax credit seem inappropriate.** The tax rate varies from .5% to 3%, with Oregon's FIPT rate 1.15%.

Summary of the five states:

- None use General Fund money for their state fire marshal office and some actually give some of the money collected from FIPT to their General Fund.
- Additional revenue is generated by fee's (ex: permits/inspections), other taxes (cigarette tax) and/or laws that trigger a tax.
- When FIPT is paid, it is paid by the owner (personal or commercial) of any insurance that has fire insurance (home, building, car). The insurance company is the 'mechanism' to collect the money and get to the state. This is true for all states spoken with that collect FIPT tax.
- None of the five states' insurance companies get a tax break as the insurance companies don't lose any money out of pocket.
- NJ does not collect the FIPT tax; instead they are 100% funded by annual fees on businesses only.

Based on these findings and despite the connection to the retaliatory tax, it appears to Tax Fairness Oregon that this tax credit is inappropriate and unnecessary and should be allowed to sunset.

Research:

1. Kansas Fire marshal funding (1.25% FIPT)

Office has ~\$6M budget per year paid by FIPT tax of 1.25% which brings in \$6M. They don't call it a tax but a fee. This 'fee' is added to every insurance policy that has fire coverage (vehicle, buildings - res/commercial) and the policy holders (like you and me) pay the 'fee'. It is collected from insurers twice a year and funds 98% of fire marshal office budget of \$6M. The additional 2% of income from 'safe cigarette bill' is paid by cigarette manufacturers. Spoke with Doug Jorgensen, Fire Marshal 785-296-3401

2. Kentucky Fire marshal funding (.75% FITP)

The FITP provides enough money that some actually goes to the General Fund. Funds also come through permits (sprinkler, hazardous tanks, fireworks) and inspections (general building inspections – nursing homes, day care, schools, etc. new and existing). Spoke with Whitney 502-573-0382

3. Minnesota Fire marshal funding (.5% FIPT + .05% surcharge)

FIPT with a .05% fire safety surcharge, provides \$13 m/year. For every \$1000 of insurance, buyers pay \$5 into dedicated account that collects the \$13m per year. The FIPT also funds two other divisions, e.g. hazard. These FIPT policies would be on homeowners and commercial properties. Their FIPT law was passed in 2006, and by 2008 the department no longer used any General Fund money. A law change was made because the department was continually cut due to low General Funds. There is no tax credit for paying the FIPT. Spoke with Bruce West, State Fire Marshal 651 201-7200

4. New Mexico Fire marshal funding (3% FIPT)

They collect \$82M per year from FIPT. They distribute \$62M within the division and a few other divisions. The 'extra' money (\$15M) goes to the General Fund. Spoke with Vernon Muller, Deputy State Fire Marshal 505-470-1044

5. New Jersey Fire marshal funding (0% FIPT)... (2012 list says 2% but not the case now)

NJ does not collect any FITP tax; all collections are fee based and collected from businesses only. A law was passed back in 1983 +/- NJ Uniform Fire Safety Act. An annual fee is charged to all businesses in NJ. 65% of money collected goes to their direct fire department, and 35% goes to the state fire marshal. This was enough money to run departments and office. These costs are paid 100% by businesses, not individuals. No credit is given back to the insurance companies for paying the fees. Spoke with Aide Jones, Fire Marshal Fiscal Officer 609 633-6106

******Oregon Fire marshal funding (1.15% FIPT)******

The FIPT tax of 1.15% generates roughly \$25M. The Fire Marshal office gets \$16M with the rest going to the Department of Public Safety and Training, funding police and fire training and the arson department. FIPT was raised a few years ago. No FIPT tax revenue goes to the General Fund. Spoke with Kristin Schafer 503-934-886

We read the bills and follow the money