

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2844 - SB 2840

February 4, 2010

SUMMARY OF BILL: Effective upon becoming law, postpones requirement for certain sole proprietors and partners to carry workers' compensation insurance on themselves through April 1, 2012 from the previous date of March 28, 2011. On April 2, 2012 sole proprietors or partners engaged in the construction industry will not be required to carry workers' compensation on themselves unless they are working as an intermediate contractor or subcontractor contractor and will be required to carry workers' compensation on any subcontractor, employee or worker not otherwise covered by workers' compensation.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue - \$159,100/FY10-11/General Fund
\$15,900/FY/10-11/ Tennessee Occupational Safety and
Health Act (TOSHA)**

**\$477,300/FY11-12/General Fund
\$47,700/FY/11-12/TOSHA**

Assumptions:

- A decrease in the number of persons obtaining workers' compensation insurance will decrease the total amount of premiums paid and as a result will decrease the amount of premium taxes collected. The workers' compensation premium tax rate is four percent plus a 0.4 percent surcharge. Premium taxes collected from the surcharge are earmarked to administer the provisions of the Tennessee Occupational Safety and Health Act in accordance with Tenn. Code Ann. § 56-4-206.
- Premium taxes are collected equally each month during the fiscal year.
- According to the Department of Commerce and Insurance, no verifiable data exist on the number of persons affected. The Department estimates a range from 945 to 3,360 non-exempt persons in affected businesses with an estimated payroll ranging from \$30,000 to \$45,000 per partner or sole proprietor in each business. According to the Department, current workers' compensation policy rates range from 10 percent to 20 percent of payroll costs.
- Based on this range, the annual reduction in premium revenue could range between approximately \$125,000 (945 x \$30,000 x 10% x 4.4%) and \$1,300,000 (3,360 x \$45,000 x 20% x 4.4%). The approximate mid-point of the range is \$700,000.

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- The reduction in revenue from reduced premium taxes in FY10-11 will occur from March 29, 2011 – June 30, 2011, in FY11-12 will occur from July 1, 2011 – April 1, 2012.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "James W. White". The signature is written in a cursive style with a large initial "J" and "W".

James W. White, Executive Director

/jaw