

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2383 - HB 2420

December 21, 2009

SUMMARY OF BILL: Requires any person engaged in the construction industry, including principal contractors, intermediate contractors, or subcontractors to carry workers' compensation insurance. Eliminates the requirement for sole proprietors and partners to carry workers' compensation insurance on themselves. The bill is effective upon becoming law.

ESTIMATED FISCAL IMPACT:

**Decrease State Revenue - \$212,100/FY09-10/General Fund
\$21,200/FY09-10/Tennessee Occupational Safety and
Health Act (TOSHA)**

**\$636,400/FY10-11 and Subsequent Years/General Fund
\$63,600/FY10-11 and Subsequent Years/TOSHA**

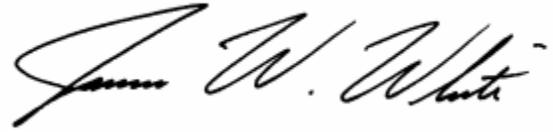
Assumptions:

- 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.
- The bill will be signed into law and become effective on March 1, 2010. The reduction in revenue from reduced premium taxes in FY09-10 will occur from March 1 – June 30, 2010. In FY10-11 and succeeding years, the full year of premium reductions will be realized.

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CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

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

James W. White, Executive Director

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