

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 574 – SB 885

April 1, 2013

**SUMMARY OF ORIGINAL BILL:** Limits property tax levied on insurance companies located in Tennessee to those companies who have issued and outstanding capital stock.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease Local Revenue – Exceeds \$46,500

**SUMMARY OF AMENDMENT (005768):** Deletes all language after the enacting clause. Exempts from the property tax levied on insurance companies any insurance company organized as a mutual insurance company, unless after the effective date of this bill, the mutual insurance company was converted from a stock insurance company or was organized to receive the assets of a stock insurance company.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- According to the Comptroller's Office (COT), under current law, one insurance company located in Knoxville is assessed property tax. Other insurance companies located in Tennessee are either not being assessed the tax or the assessment is \$0. Any impact of this bill as amended on the property tax collections from these other insurance companies would be considered forgone revenue and cannot be estimated with reasonable certainty due to many unknown factors.
- According to COT, the company's value for taxation purposes was \$2,411,918 in FY11-12. The future value of insurance companies located in Tennessee is estimated to exceed \$2,411,918.
- The City of Knoxville's property tax rate is \$2.46 per \$100 assessed value; Knox County's property tax rate is \$2.36 per \$100 assessed value.

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- Assuming a 40 percent assessment rate, the company's property tax obligation in FY13-14 and each subsequent year is estimated to be \$46,502  $\{[(\$2,411,918 \times 40.0\%) / \$100] \times (\$2.46 + \$2.36)\}$ .
- The total recurring decrease in local government revenue as a result of this bill, beginning in FY13-14, is estimated to exceed \$46,502.

**CERTIFICATION:**

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



Lucian D. Geise, Executive Director

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