

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 574 – SB 885

April 11, 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 (006882): Deletes all language after the enacting clause. Establishes that the value of the corporate property of an insurance company without stockholders, for the purposes of the property tax levied on insurance companies, excluding real property and tangible personal property, is equal to the total dividends paid to policyholders in the preceding calendar year. Specifies that “dividends” do not include returns or reductions of premiums or credits applied to premiums. Establishes that this act shall apply to all assessments issued under this part regardless of the year in which the assessment applies and shall not apply to an insurance company which, after the effective date of this act (upon becoming a law), is either converted from a stock insurance company or organized to receive the assets of a stock insurance company.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease Local Revenue – Exceeds \$10,000

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.

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- 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.
- 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 $\{[(\$2,411,918 \times 40.0\%) / \$100] \times (\$2.46 + \$2.36)\}$.
- According to COT, modifying the valuation of insurance companies without stockholders, for the purposes of the property tax levied on insurance companies, as proposed by this bill as amended would result in a recurring decrease in local revenue. Determining the precise amount of such decrease is difficult due to many unknown factors, but is reasonably estimated to exceed \$10,000.

CERTIFICATION:

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



Lucian D. Geise, Executive Director

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