



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 22-0164
Prime Sponsors:

Date: October 21, 2021
Bill Status: Bill Request
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Bill Topic: **REDUCE SURPLUS LINES INSURANCE PREMIUM TAX RATE**

- Summary of Fiscal Impact:**
- State Revenue
 - State Expenditure
 - State Transfer
 - TABOR Refund
 - Local Government
 - Statutory Public Entity

The bill reduces the surplus lines premium tax rate from 3.0 percent to 2.25 percent. The bill will decrease state revenue beginning in FY 2022-23, and increase workload for the Department of Regulatory Agencies in FY 2022-23 only.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the bill draft requested by the Legislative Oversight Committee Concerning Tax Policy.

Table 1
State Fiscal Impacts Under Bill 4

		Budget Year FY 2022-23	Out Year FY 2023-24
Revenue	General Fund	(\$9.3 million)	(\$9.7 million)
Expenditures		-	-
Transfers		-	-
TABOR Refund	General Fund	(\$9.3 million)	(\$9.7 million)

Summary of Legislation

The bill reduces the tax rate imposed on surplus lines insurance premiums from 3.0 percent to 2.25 percent. The rate reduction is effective upon passage of the bill.

The insurance premium tax applies to insurance premiums charged by insurance companies licensed by the state of Colorado and surplus line insurance brokers. Surplus line insurance brokers offer insurance policies for insurance companies that are not licensed within the state of Colorado. These policies tend to be higher risk.

State Revenue

The bill is expected to decrease General Fund revenue by \$9.3 million in FY 2022-23, by \$9.7 million in FY 2023-24, and by similar amounts in subsequent years, as a result of the lower tax rate on surplus lines insurance premiums. For context, the state collected approximately \$36.3 million in surplus lines insurance premium taxes in calendar year 2020. This fiscal note assumes that the bill will go into effect July 1, 2022, if the bill is effective prior to this date, the bill will reduce revenue beginning in FY 2021-22. The bill decreases revenue from insurance premium taxes, which are subject to TABOR.

All revenue estimates assume future economic activity consistent with the September 2021 Legislative Council Staff forecast.

State Expenditures

The bill increases workload in the Department of Regulatory Agencies in FY 2022-23 only. The department will need to make system changes and update materials. This increase in workload can be accomplished within existing resources.

TABOR refunds. The bill is expected to decrease the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate is based on the September 2021 LCS revenue forecast, which incorporates the revenue impacts of bills passed during the 2021 legislative session. A forecast of state revenue subject to TABOR is not available beyond FY 2023-24.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Information Technology

Regulatory Agencies