



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Fiscal Note

Drafting Number: LLS 23-0130
Prime Sponsors:

Date: September 20, 2022
Bill Status: Bill Request
Fiscal Analyst: Louis Pino | 303-866-3556
louis.pino@state.co.us

Bill Topic: UNAUTHORIZED INSURANCE PREMIUM TAX RATE

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

The bill increases the unauthorized insurance premium tax rate from 2.25 percent to 3.0 percent. It increases state revenue beginning in FY 2023-24.

Appropriation Summary: No appropriation 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 9

Table with 4 columns: Category, Fund, Budget Year FY 2023-24, and Out Year FY 2024-25. Rows include Revenue (General Fund), Expenditures, Transfers, and Other Budget Impacts (TABOR Refund).

## Summary of Legislation

The bill increases the tax rate that applies to insurance premiums paid to an unauthorized insurer from 2.25 percent to 3.0 percent beginning January 1, 2024.

## Background

The Office of the State Auditor (OSA) is required to evaluate all of the state's tax expenditures at least once every five years. The OSA published the Unauthorized Insurance Premium Tax Expenditures evaluation report in January 2020. The OSA evaluation determined that the three tax expenditures related to insurance policies written by unauthorized insurers are being used only under limited circumstances, or not at all.

The full report can be found here:

[https://leg.colorado.gov/sites/default/files/images/2020-te1\\_unauthorized\\_insurance\\_premium\\_tax\\_expenditures.pdf](https://leg.colorado.gov/sites/default/files/images/2020-te1_unauthorized_insurance_premium_tax_expenditures.pdf)

According to the Division of Insurance, within the Colorado Department of Regulatory Agencies, taxpayers reported procuring 58 policies through unauthorized insurers worth about \$3.3 million in written premiums from July 2015 to March 2019, the most recent data available. These premiums generated just over \$79,000 in unauthorized insurance tax payments.

## State Revenue

The bill is expected to increase General Fund revenue by \$3,250 in FY 2023-24 (half-year impact) and by \$6,500 in FY 2024-25 and future years. These amounts represent the impact of taxing about \$867,000 in annual unauthorized insurance premiums at a rate of 3.0 percent, rather than the current law rate of 2.25 percent.

## Other Budget Impacts

**TABOR refunds.** The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. Because TABOR refunds are paid from the General Fund, increased General Fund revenue will increase the TABOR refund obligation, but result in no net change to the amount of General Fund otherwise available to spend or save.

## Effective Date

The bill takes effect January 1, 2024, assuming no referendum petition is filed.

## State and Local Government Contacts

Information Technology

Personnel

Regulatory Agencies

Revenue

---

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit: [leg.colorado.gov/fiscalnotes](https://leg.colorado.gov/fiscalnotes).