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LB 70

Revision: 01

Revised on 3/31/11 based upon amendments adopted through 3/30/11.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS		See Below		See Below
CASH FUNDS		See Below		See Below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 70 changes provisions relating to taxation of surplus lines of insurance placed, procured or effected on behalf of an insured whose home state is Nebraska with any nonadmitted insurer. The Department of Insurance indicates the federal government passed a Non-Admitted and Reinsurance Reform Act in 2010 which preempts the collection of some of the premium taxes levied by the state on surplus lines of insurance issued to insureds in the state. The tax rate is 3% on premiums written.

The bill allows the director of insurance to enter the nonadmitted Insurance Multi-State Agreement in order to facilitate the collection, allocation and disbursement of premium taxes attributed to nonadmitted insurance, provide uniform methods of allocation and reporting among nonadmitted insurance risk classifications and to share information among states regarding nonadmitted insurance premium taxes. States that enter into the agreement can allocate surplus lines taxes based on the location of the risk rather than the state in which the insured resides, as is required by the newly enacted federal law.

The Department of Insurance does not have data to indicate the amount of insurance premium tax revenue which will be lost pursuant to the federal law change, so the department is not able to estimate how much revenue the state will be able to retain pursuant to the passage of LB 70. The department indicates the state currently collects about \$3.9 million in insurance premium taxes on surplus lines of insurance. The bill enables the department to continue to collect some portion of these taxes.

The General Fund receives 40% of total insurance premium tax receipts from surplus lines insurance and the Mutual Finance Assistance Fund receives 10%. The remaining 50% of the receipts are deposited in the Insurance Tax Fund which is allocated to counties (10%), cities (30%) and schools (60%). The bill will retain an unknown amount of revenue for these entities.