

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 2916

DATE: May 3, 2006

Version: Fourth Engrossment

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Subject: Fire Safety Surcharge and Account

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Overview

This bill transforms the current fire tax on insurers to a surcharge on fire and nonliability policyholders. The current tax rate is one-half of one percent of premiums. The premium base is commercial fire insurance and the portion of homeowner's insurance premiums attributable to fire coverage. The taxes collected are now deposited in the general fund. The proposed surcharge is 0.65 percent of gross premiums and assessments less return premiums, on direct business received by a company for homeowner's and commercial fire and nonliability insurance policies in this state. Changing the tax on insurers to a surcharge on policyholders will likely eliminate the retaliatory insurance premium tax imposed by other states on Minnesota insurance companies, due to the state's current fire tax.

Section

1 **Surcharges on Fire Safety Premiums.**

Subd. 1. Insurance Policies Surcharge. Requires insurers to assess a 0.65 percent surcharge on homeowner's and commercial insurance policies that provide fire and nonliability insurance protection. Directs that the surcharge be deposited in the newly created fire safety account.

Subd. 2. Exemptions. Exempts farmers' mutual fire insurance companies and township mutual fire insurance companies from collecting the surcharge. Permits insurers to either remit the surcharge or collect and remit a surcharge of one-half of

Section

one percent on fire premiums.

Subd. 3. Fire Safety Account, annual transfers, allocation. Creates a special account to deposit the proceeds of the surcharge. The account remains under the control of the legislature. Provides funding to backfill the general fund for the loss of revenue created by the repeal of the current fire tax.

2 Fire Insurance Surcharge. Establishes a quarterly remittance schedule for insurers.

3 Fire Safety Account.

Subd. 1. Authorized Programs within Department. Authorizes the commissioner of public safety to spend the funds in the fire safety account for activities and programs recommended by the fire service advisory committee. Requires the commissioner to at least consult with the advisory board prior to making spending decisions. In general, the commissioner must use the funds to ensure that the State Fire Marshal Division's responsibilities are fulfilled.

Subd. 2. Fire Services Advisory Committee. Establishes the fire services advisory committee. The committee is tasked with making recommendations to the commissioner on how funds in the fire safety account should be spent.

Subd. 3. Report; Accounting; Carryover. Requires the commissioner to provide an annual accounting to the legislature on how funds in the fire safety account were allocated. Permits funds in the account to carryover.

4 Repealer. Repeals the current fire tax.

5 Effective Date. July 1, 2007.