

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

- 1. **Patron** Stella Pekarsky
- 3. **Committee** Commerce and Labor
- 4. **Title** Insurance Premiums License Tax; Surplus Lines Brokers

- 2. **Bill Number** SB 670
- House of Origin:**
 - Introduced**
 - Substitute**
 - Engrossed**
- Second House:**
 - In Committee**
 - Substitute**
 - Enrolled**

5. Summary/Purpose:

This bill would exempt any licensed surplus lines broker from the insurance premiums license tax on any insurance policy procured by such broker during the preceding calendar year on behalf of a commuter rail system jointly operated by the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation District.

This bill would be effective for Calendar Year 2024 and thereafter.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
- 8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would result in a minimal unknown negative General Fund revenue impact beginning in Fiscal Year 2024. Such impact is unknown because the amount of insurance premium license tax paid by licensed surplus lines brokers on insurance policies procured on behalf of a commuter rail system jointly operated by the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation District is unknown. However, such impact is expected to be minimal.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Insurance Premiums License Tax

Insurance companies are subject to a license tax on premiums for insurance sold in Virginia. This tax is based on a specified percentage of direct gross premium income from the applicable insurance type and is imposed in lieu of the corporate income tax.

The annual return for this tax is due March 1. In addition, the companies subject to this tax must make quarterly estimated payments on April 15, June 15, September 15, and December 15.

Tax Imposed on Surplus Lines Brokers

“Surplus lines insurance” is any property or casualty insurance permitted to be placed directly by an insured or through a surplus lines broker with an eligible nonadmitted insurer. A “surplus lines broker” is defined as an individual or business entity that is licensed to sell, solicit, or negotiate surplus lines insurance on properties, risks, or exposures located or to be performed in Virginia with eligible nonadmitted insurers.

Every licensed surplus lines broker is required to pay the insurance premiums license tax for each policy of insurance procured during the preceding calendar year with an insurer not licensed to transact insurance business in Virginia. Such payments are based on the direct gross premium income from Virginia insured. Any surplus lines broker whose annual insurance premiums tax liability is expected to exceed \$1,500 must file a quarterly report with the Department and make estimated payments.

Proposed Legislation

This bill would exempt any licensed surplus lines broker from the insurance premiums license tax on any insurance policy procured by such broker during the preceding calendar year on behalf of a commuter rail system jointly operated by the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation District.

This bill would be effective for Calendar Year 2024 and thereafter.

Similar Legislation

House Bill 510 is identical to this bill.

cc : Secretary of Finance

Date: 1/26/2024 JLOF
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