

**DEPARTMENT OF TAXATION
2025 Fiscal Impact Statement**

- 1. **Patron** Stella Pekarsky
- 3. **Committee** Senate Commerce and Labor
- 4. **Title** Surplus lines broker license taxes.

- 2. **Bill Number** SB 1269
House of Origin:
 Introduced
 Substitute
 Engrossed
Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide that any surplus lines broker or any person required to be licensed as one shall not be subject to the annual taxes, license taxes, or penalties under current law for any policy of insurance procured 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 2025 and after.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Preliminary. (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 2025. 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.

The proposed legislation is expected to have a minimal fiscal impact for the State Corporation Commission’s (SCC) Bureau of Insurance (BOI). Pursuant to §§ 38.2-400 and 38.2-403 of the Code of Virginia, BOI makes annual assessments on surplus lines brokers that is the greater of \$300 or a sum equal to 0.025% of a broker’s direct gross

premium income on business done in the Commonwealth. Based on available information about premiums paid by the Northern Virginia Transportation Commission and the Potomac and Rappahannock Transportation Commission, BOI estimates that it would realize a loss of less than \$5,000 in revenue as a result of SB1269. This revenue loss can be absorbed within existing resources and has a minimal fiscal impact.

9. Specific agency or political subdivisions affected:

State Corporation Commission
Northern Virginia Transportation Commission
Potomac and Rappahannock Transportation District
Virginia Railway Express

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.

State Corporation Commission Fee

In addition to the tax on insurance premiums administered by the Department of Taxation, the Bureau of Insurance of the State Corporation Commission is authorized to assess a fee on premiums to cover the cost of regulating insurance companies. The minimum fee per company is \$300, while the maximum fee allowed is one-tenth of one percent of premiums, but the fee has been set at one quarter of the maximum allowed, 0.025%.

Surplus Lines Tax Report

Item 261(G) of the 2024 Appropriation Act (Special Session I) required the Department of the Treasury, in consultation with the Department, to review surplus lines insurance policy procured by state agencies and authorities, and submit a report to the Chairs of the House Appropriations Committee and the Senate Finance and Appropriations Committee. This report concluded that:

Treasury recommends Virginia agencies and authorities be exempt from paying the surplus lines premium tax. Doing so would result in substantial savings for many of the Commonwealth's agencies and authorities that are disproportionately burdened with having to pay the tax, while only minimally reducing the general and non-general funds currently funded in part by the tax revenue generated. Exempting state agencies and authorities from paying the tax would also align Virginia's approach with similarly situated states.

Proposal

This bill would provide that any surplus lines broker or any person required to be licensed as one shall not be subject to the annual taxes, license taxes, or penalties under current law for any policy of insurance procured 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. The Virginia Railway Express is the only commuter rail system jointly operated by the NVTC and the PRTC.

This bill would be effective for Calendar Year 2025 and after.

Similar Bills

HB 1682 is substantially identical to this bill.

cc : Secretary of Finance

Date: 1/19/2025 JPJ
SB1269F161