

TEXAS WATCH

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May 25, 2010

The Honorable Rene Oliveira
Chair, House Ways & Means Committee
Post Office Box 2910
Austin, Texas 78768-2910

Dear Chairman Oliveira:

During the discussion of the insurance industry's franchise tax exemption during your Ways & Means Committee hearing today, one lobbyist for the insurance industry discussed the payment of the insurance premium tax as evidence of the industry's contribution to the state's tax burden.

While Texas Watch does not have a position on whether the industry should continue to enjoy its current franchise tax exemption, I feel compelled to clarify that insurers do not ultimately bear the burden of the current premium tax – policyholders do. The insurance premium tax is not paid out of industry profits; it is passed through to Texas policyholders. It operates similar to a retail sales tax whereby the levy is collected but not ultimately paid by the industry.

The insurance industry does not have any real skin in the game.

While Texas consumers are struggling to keep pace with the high cost of insurance, the insurance industry continues to collect profits that state regulators and the Public Insurance Counsel believe are excessive. As you endeavor to close loopholes that exist in our tax code, I encourage you to hold Texas policyholders harmless. Any tax burden levied on the insurance industry should actually be paid by the insurance industry – not passed on to Texas families as premium surcharges. This can be accomplished by making additional tax levies a "disallowed expense" as defined by Sec. 2252.002(1), Insurance Code.

Thank you for your attention to this matter. If I may be of any assistance on this or any other matter, please feel free to contact me.

Sincerely,



N. Alex Winslow
Executive Director

cc: Members, House Ways & Means Committee