**FISCAL IMPACT STATEMENT**

**LS 6146**

**BILL NUMBER:** HB 1033

**NOTE PREPARED:** Jan 23, 2017

**SUBJECT:** Motor Vehicle Insurance Policy Requirements.

**FIRST AUTHOR:** Rep. Lehman

**FIRST SPONSOR:** Sen. Holdman

**BILL AMENDED:**

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:**

- X GENERAL
- X DEDICATED
- FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill changes the application of SEA 40-2016 from July 1, 2017, to July 1, 2018. It requires that a motor vehicle insurance policy issued or renewed after June 30, 2017, to establish financial responsibility must provide property damage coverage of $25,000 rather than $10,000.

**Effective Date:** July 1, 2017.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** **Summary:** By delaying increases in the minimum motor vehicle liability insurance requirements included in SEA 40 - 2016, the new minimum coverage amounts would be required beginning in FY 2019 instead of FY 2018. Delaying these requirements by one year could delay the following impacts of the increased minimum coverage:

1. Increased revenue to the Financial Responsibility Compliance Verification Fund and the Motor Vehicle Highway Account (MVHA) from the collection of license reinstatement fees,
2. Increased revenue to the General Fund and Common School Fund from penalties assessed against individuals cited for failure to maintain financial responsibility policies, and
3. Increased state General Fund revenue from either the adjusted gross income (AGI) tax or the insurance premium tax paid by insurers.
Financial Responsibility Reinstatement Fees: Individuals cited for operating a motor vehicle without financial responsibility policies must pay fees to have their licenses reinstated. The reinstatement fee schedule is included in the following table.

<table>
<thead>
<tr>
<th>Suspension</th>
<th>Financial Responsibility Verification Fund</th>
<th>MVHA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Offense</td>
<td>$120</td>
<td>$130</td>
<td>$250</td>
</tr>
<tr>
<td>Second Offense</td>
<td>$195</td>
<td>$305</td>
<td>$500</td>
</tr>
<tr>
<td>Third or Subsequent Offense</td>
<td>$270</td>
<td>$730</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

It is expected that new revenue from license reinstatement fees would occur during part of FY 2018, with the first full year of revenue occurring during FY 2019.

Revenue from Insurance Premiums: Domestic insurers have the option to pay taxes on insurance premiums written in the state or to pay the AGI tax. Foreign insurers are required to pay taxes on premiums written in the state, and some foreign insurers are assessed additional retaliatory taxes. In these cases, the minimum tax rate would be 1.3% of written premiums. Revenue received from the AGI and insurance premium tax is deposited in the General Fund.

Penalty Provision: For FY 2015, a total of 113,477 individuals pled guilty to citations issued for failure to maintain financial responsibility policies. Of these citations, 57,457 were issued during accidents and the remaining were attributed to requests to provide proof of financial responsibility sent from the Bureau of Motor Vehicles (BMV).

Operating a vehicle without maintaining financial responsibility is punishable as a Class A infraction and as a Class C misdemeanor for a second or subsequent violation. The maximum judgment for a Class A infraction is $10,000, which would be deposited in the state General Fund. The maximum fine for a Class C misdemeanor is $500, and if the bill results in additional court cases where fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) could increase.

Explanation of Local Expenditures: A Class C misdemeanor is punishable by up to 60 days in jail.

Explanation of Local Revenues: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: BMV.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Department of Insurance; Alex Miller, BMV; FY 2015 citation data.