

MINUTES

HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

- DATE:** Monday, March 25, 2013
- TIME:** 1:30 p.m. or Upon Adjournment of the House
- PLACE:** Room EW05
- MEMBERS:** Chairman Hartgen, Vice Chairman Anderson(31), Representatives Loertscher, Anderst, Hancey, Harris, Holtzclaw, Mendive, Romrell, VanOrden, King, Woodings
- ABSENT/
EXCUSED:** Representative Holtzclaw
- GUESTS:** Suzanne Budge, SBS Associates, LLC; Pam Eaton, Idaho Realtors Association; Tyler Mallard, Risch Pisca; Tom Limbaugh, Jane McClaran and Mindy Montgomery, Industrial Commission
- Chairman Hartgen** called the meeting to order at 1:30 p.m.
- MOTION:** **Rep. Woodings** made a motion to approve the minutes of March 19, 2013. **Motion carried by voice vote.**
- S 1145:** **Tom Limbaugh**, Industrial Commission, presented **S 1145**. He explained that the Industrial Commission is required by Idaho Code § 72-523 to collect a tax each year from insurance companies and self-insured employers equal to 2.5% of the net premiums collected on all workers' compensation insurance policies written by an insurance company in Idaho, or on the premium that would have been paid for an insurance policy from the State Insurance Fund by a self-insured employer. This tax is deposited in the Industrial Administration Fund and is used by the Commission for administering the workers' compensation law. In 2010, the Industrial Commission recognized their dedicated fund balance exceeded their needs. The law does not provide the Commission with authority to reduce the amount of tax collected. During the 2011 legislative session, **H 240** amended Idaho Code § 72-523 to allow for a temporary premium tax rate reduction (from 2.5% to 2.0%) during the period of January 1, 2012 through December 31, 2013. The Commission collects premium tax semiannually, January 1 through June 30, due on July 31st; July 1 through December 31, due on March 3rd. The expected decline in premium tax collections was somewhat mitigated by the increase in the volume of premiums written. Mr. Limbaugh said this proposed amendment would extend the Legislature's temporary workers' compensation premium tax relief through December 31, 2015. This temporary premium tax reduction would be incorporated into the premium rates paid by employers providing workers' compensation benefits. The Industrial Commission's Administration Fund balance was \$18,459,000 on January 31, 2013. This represents 160% of their current annual budget. The fiscal impact of **S 1145** is estimated to be a \$1.6 million revenue reduction in each of FY 2015 and FY 2016 for a total impact of \$3.2 million to the Industrial Administration Fund. Including the current statutory reduction for FY 2014, the overall impact should be close to \$5 million.

Responding to questions, **Mr. Limbaugh** said because premiums are higher, more tax is collected. Expenditures have not increased and spending authority has declined over the last three years. The Commission is currently collecting more money through this tax than it requires, and it would like to allow employers to keep more. The Industrial Commission's current budget is approximately \$11 million per year. Mr. Limbaugh believes that having \$14 to \$15 million in the Administration Fund is adequate, and more would be too much. The proposed tax reduction would be temporary. The Industrial Commission is a quasi-judicial body that makes decisions on unemployment appeals and workers' compensation cases. They also ensure that employers conduct business properly. A permanent reduction could cause the Industrial Commission to, at some point, use more than it takes in; this bill would make a temporary change. Rates in Idaho are set by the National Council of Compensation Insurance and begin anew every year in July.

Jane McClaran, Industrial Commission, responded to questions. She said the credit employers are allowed to take is through the Department of Insurance. The Industrial Commission relies on two dedicated fund sources for their \$11 million annual budget.

MOTION: **Rep. Hancey** made a motion to send **S 1145** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson(31)** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 1:55 p.m.

Representative Hartgen
Chair

Mary Tipps
Secretary