

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 597 (Delegate Brown)
Economic Matters

Workers' Compensation - Tax - Calculation

This bill changes the calculation of the tax assessment on workers' compensation insurers to pay the expenses of the Workers' Compensation Commission.

Fiscal Summary

State Effect: The bill would not directly affect State operations or finances.

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill would shift the basis of the commission's tax assessment calculation from the amount of insured payroll of insurers to the amount of compensation paid by insurers. Thus, after determining the appropriation for the expenses for the commission for the current fiscal year (total assessment), and adjusting for the actual expenditures of the previous year, the commission will determine the assessment for each insurer by:

- dividing the total of each insurer's compensation payments for the previous year by the total compensation payments of all insurers in the previous year (payment portion); and
- multiplying each insurer's payment portion by the total assessment amount.

In a form and manner approved by the commission, each insurer must provide a report detailing the amount of compensation paid during the year.

Current Law: After determining the appropriation for the expenses for the commission for the current fiscal year (total assessment), and adjusting for the actual expenditures of the previous year, the commission determines the assessment for each insurer by:

- dividing the total assessment by the total insured payroll of all insurers; and
- applying that percentage to each insurer's total insured payroll.

State Fiscal Effect: The Workers' Compensation Commission reports that while the change in calculation would not affect the amount of assessment collected, there would be a minimal fiscal impact to change forms, modify databases, and develop procedures necessary to support the new allocation methodology. Any such changes would be handled with existing resources.

Small Business Effect: To the extent that small businesses in higher risk sectors make relatively higher workers' compensation payments, they will receive a proportionately higher tax assessment to cover the costs and expenses of the commission.

Additional Information

Prior Introductions: None.

Cross File: SB 408 (Senator Astle) – Finance.

Information Source(s): Uninsured Employers' Fund, Workers' Compensation Commission, Injured Workers' Insurance Fund, Subsequent Injury Fund, Maryland Insurance Administration, Department of Legislative Services

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