

Rep. Evans,

When I testified before the House Veterans and Emergency Management Committee on HB 3160 (wildfire surcharge on insurance policies) on March 18, 2021, you asked me a question. You wanted to know the last time the fire insurance premium tax was increased that pays for the Oregon State Fire Marshal's Office (OSFM).

The fire premium tax was increased from 1% to 1.15% beginning Jan. 1, 2014. The rate remains at 1.15%. These funds support the DPSST and OSFM by statute and the Oregon State Police Arson Unit and portion of administrative costs as well.

The tax is imposed on gross premiums (companies don't get any deductions) for fire policies and portions of homeowners/farm owners multi-peril, commercial multi-peril, inland marine, auto physical damage, and aircraft physical damage policies. These gross premiums have gone up every year so far, so the amount of fire marshal tax that companies are paying has also increased every year. The State Fire Marshal provided these numbers:

	OSFM Transfer Amount
2011	\$ 8,054,957
2012	\$ 9,017,023
2013	\$ 9,249,623
2014	\$ 10,754,434
2015	\$ 11,295,978
2016	\$ 12,039,865
2017	\$ 12,350,509
2018	\$ 13,046,824
2019	\$ 14,180,153
2020	\$ 14,936,296

Insurers used to be able to offset their fire marshal tax by claiming a credit against their corporate excise tax (e.g., if a company owed \$100 in fire marshal tax, they'd be able to reduce the amount of excise tax owed by \$100). However, after Jan. 1, 2018, insurers were no longer able to offset their fire marshal tax, so insurers' bottom-line tax expense increased significantly. Also, it's worth noting that when companies pay excise tax, the proceeds go to the general fund, so, when insurers were able to claim a credit, the general fund was basically paying for the OSFM indirectly. But now insurers are paying for the OSFM alone since there's no offset against excise tax.

Please let me know if this answers your question. I will send this email to your committee administrator as well.

Cordially,

**Patrick O'Keefe**

**Owner**

Cascade Insurance Center