



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25B-1003: INSURANCE PREMIUM TAX RATE FOR HOME OFFICES

Prime Sponsors:

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Fiscal note status: This fiscal note reflects the introduced bill.

Summary Information

Overview. Beginning in calendar year 2026, the bill repeals the reduced insurance premium tax rate for insurance companies that qualify as having a regional home office in Colorado.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- TABOR Refunds
- Minimal State Workload

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Current Year FY 2025-26	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$44.1 million	\$91.1 million	\$97.0 million
State Expenditures	\$0	\$0	\$0
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$91.1 million	Not estimated
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE

Summary of Legislation

Beginning in calendar year 2026, the bill repeals the reduced insurance premium tax rate for insurance companies that qualify as having a regional home office in Colorado.

Background

Under current law, Colorado allows insurers that maintain a “home office” or “regional home office” in Colorado to have a 1 percent premium tax rate, commonly called the regional home office insurance premium tax rate reduction (RHO rate reduction). If the insurer does not maintain a home office or regional home office in the state, the insurance premium tax is 2 percent of premiums collected.

To be considered to maintain a home office or regional home office, an insurer must either substantially perform certain functions related to insurance business operations in the state or maintain significant direct insurance operations in the state, and beginning in 2024 and for subsequent years, maintain at least 2.5 percent of its total domestic workforce in the state. The workforce percentage requirement increased to 2.5 percent in 2024 from 2.25 percent in 2023 and 2.0 percent in 2022.

Revenue from the insurance premium tax is credited to the General Fund for spending on general operations after appropriations to:

- the Division of Insurance Cash Fund to fund division operations (limited to 5 percent of revenue);
- the Wildfire Emergency Response Fund and Wildfire Preparedness Fund, which pays for wildfire prevention and response efforts; and
- the state health insurance affordability enterprise.

Appropriations are made at the discretion of the General Assembly.

Assumptions

In 2024, insurance companies qualifying for the RHO rate reduction paid \$72.3 million in insurance premium tax revenue, down 8.9 percent from the prior year. However, premium tax revenue from regional home office insurance companies increased by 9.1 percent in 2022 and 17.7 percent in 2023.

Future estimates are grown based on the July 2025 update to the June 2025 LCS forecast for insurance premium taxes.

State Revenue

General Fund revenue will increase by \$44.1 million (a half-year impact) in the current FY 2025-26, \$91.1 million in FY 2026-27, \$97.0 million in FY 2027-28 with slightly larger impacts in subsequent years. This bill will increase insurance premium tax revenue, which is subject to TABOR.

State Expenditures

The Division of Insurance, within the Department of Regulatory Agencies, currently manages and approves insurance companies that qualify for the RHO rate reduction. This bill repeals the RHO rate reduction, which will result in a reduction in workload for the division. The reduced workload is assessed as minimal and does not require a decrease in appropriations.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by \$91.1 million in FY 2026-27. The bill does not change current expectations that the state will be below its revenue limit in the current FY 2025-26. This estimate assumes the [July update to the June 2025 LCS revenue forecast](#). A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased General Fund revenue will increase the TABOR refund obligation, but result in no net change to the amount of General Fund available to spend or save in FY 2026-27 and any future years when the state is over its revenue limit.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State and Local Government Contacts

Information Technology

Regulatory Agencies

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).