

**BARBARA E. BUCKLEY**

District No. 8

SPEAKER OF THE ASSEMBLY



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Commerce and Labor  
Ways and Means

**State of Nevada  
Assembly**

**Seventy-Fourth Session**

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November 5, 2008

Governor Jim Gibbons  
Executive Chambers  
Carson City, Nevada

Dear Governor Gibbons:

Recently, I was contacted by someone knowledgeable in the insurance industry who questioned why insurance premium tax collections in fiscal year 2007-08 did not meet projections made by the Economic Forum. I have been told, not only by this individual but by staff of the Fiscal Analysis Division as well, that insurance premium tax collections have historically exceeded revenue projections for an extended period of time, even during difficult economic periods in the past when other General Fund revenues were not meeting projected levels.

I recently learned that during a difficult economic period many years ago, the Insurance Division utilized contract examiners in an effort to ensure that the State of Nevada was collecting all of the insurance premium tax that was due. The contract examiners reconciled companies' insurance premium volume to the tax paid, reviewed insurance that was independently procured or obtained through surplus lines to ensure the correct tax amounts were received, and verified that companies that claimed the home office credit were entitled to the credits that were taken. From the information that was provided to me, these actions resulted in millions of dollars in additional General Fund revenue that should have been paid by insurers.

I requested Mark Stevens, Assembly Fiscal Analyst, contact Andrew Clinger to determine if the Fiscal Analysis Division and the Budget Division could work collectively to determine if a similar effort by the Insurance Division should be undertaken to ensure that the State of Nevada is receiving all of the insurance premium tax that is due. Mark discussed this matter with Andrew on September 30 and also e-mailed him concerning this issue two weeks ago. The only response received over this 30-day period is that my request is under review by the Governor's Office.

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I have supported efforts for the staff of the Budget Division and the Fiscal Analysis Division to work together as closely as possible during this period of economic downturn to determine where agency budgets can be reduced with the minimum impact on services provided to the public. In addition, I believe it is important for our staffs to work together to ensure that all of the revenue that is due to the State of Nevada is being collected. I am at a loss as to why a decision on this issue can't be made quickly so we can verify that all insurance premium tax revenue due is being paid appropriately or whether there is additional revenue that insurers should be remitting to the state.

As we are all painfully aware, due to the current economic conditions, General Fund revenues are not meeting projections made by the Economic Forum, which has resulted in very difficult reductions to agency budgets. There is no guarantee that if the Insurance Division utilizes contract examiners to undertake this effort, a large amount of uncollected General Fund revenue will be identified. However, I believe it is incumbent on us during these trying economic times to ensure that the delivery of essential public services is not impacted due to entities not remitting all of the taxes that are appropriately due to the State of Nevada.

I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Buckley".

Barbara Buckley