

## **IIABW's 2018 Legislative Wrap-up**

The 60-day legislative session ended last week. Legislative Democrats, who now have one-seat majorities in both the House and the Senate, focused on passing a 2018 supplemental operating budget that increased the state's two-year budget to \$45 billion. By spending an additional \$941 million, lawmakers funded teachers' salaries one year earlier than expected - putting the legislature in position to finally have complied with McCleary court decision to fully fund K-12 education.

### **Capital Gains Tax**

The legislature strongly considered a new 7% capital gains tax, exempting the first \$50,000 for couples and \$25,000 for individuals. The bill did not pass this year but it will be coming back in 2019 and will have more momentum if Democrats add to their majorities in the legislature. IIABW actively worked against HB 2967, including testifying against the proposal. IIABW is already prepared to battle against this tax next year given the significant impact it would have on the sale of a book of business.

### **Wrongful Death**

The trial lawyers' top legislative priority, a proposal to expand the state's wrongful death statute, failed to pass the legislature. Lawmakers were poised to pass SB 6015, which would have established joint and several liability provisions for a new class of plaintiffs. When a proposed amendment that would have eliminated the joint and several liability parts of the bill was clearly going to pass, the bill was taken off the agenda and died.

### **Motor Vehicle Abstracts**

Legislation died in the House that would have stopped the state from selling motor vehicle abstracts to insurers. HB 2278 broadly prohibited state government agencies from sharing or selling any information that included personal identification numbers. The bill's impact on insurers' access to abstracts was an unintended impact of the proposal. Before the bill died, the insurance industry was successful in getting amendments in place to maintain access to abstracts.

### **Risk Mitigation Services**

A proposal that allows personal property insurers to provide up to \$1,500 in a 12-month period for various risk mitigation goods and services passed the legislature and awaits signature by the Governor. HB 2322 enables insurers to fund various items that are intended to reduce risk – including water monitoring, foundation strapping, home safety monitoring, or brush clearing.

### **Non-Competition Agreements**

The legislature again failed to act on several issues aimed at preventing or significantly restricting non-competes. IIABW is opposed to weakening or eliminating non-competes and expects this issue will return for consideration next year.

## **Budget Highlights**

The legislature's supplemental budget spent an additional \$941 million. To do so, lawmakers diverted money typically earmarked for the state's Rainy Day Fund and increased state property tax revenue to "buy down" the state property tax rate hikes and fund teacher salary increases. Here's a more detailed summary of how these policy decisions played out:

- The legislature dedicated \$935 million in increased state property tax revenues to the state's Education Legacy Trust Account.
- Doing so allowed the Legislature to redirect \$700 million that typically would have been placed in the state's Budget Stabilization Account (Rainy Day Fund).
- \$776 million was used to fund K-12 salary increases a year early.
- \$390 million was used to "buy down" the 2017 session's McCleary property tax rate increases which significantly impacted many counties. The rate reductions will take effect in the 2019 calendar year.