



Key Issue: Accident Taxes

MOTORIST FEE FOR EMERGENCY RESPONSE SERVICES WOULD PENALIZE TOURISTS

More and more local governments nationwide are implementing a hidden fee, or accident tax, for emergency response services. Faced with historic budget crunches, many municipalities are using accident fees as an opportunity to increase revenues without formally raising taxes. But public safety is a basic role of local government, and these fees take advantage of consumers.

Double Taxation

- Accident taxes amount to nothing more than double taxation. Emergency response services are already paid for by property and other local taxes.
- These fees run contrary to the idea of paying taxes to receive basic local government services.
- By billing for police and firefighting services, governments are imposing hidden taxes on consumers that ultimately raise insurance costs for everyone.
- Too often, these ordinances are passed without public input or consideration. Drivers and their insurers should not have to pay twice for emergency response services.

Accident Tax Victims

- In some cases, the fees are only charged to drivers who have insurance, which violates constitutional equal protection guarantees.
- Other accident tax supporters want to selectively bill only non-resident accident victims.
- Travelers and tourists visiting these municipalities would be penalized.
- These fees take advantage of unsuspecting drivers and their insurers at a vulnerable time after being involved in an auto accident.
- Accident tax proposals have surfaced in cities throughout Florida, Missouri, Tennessee, Georgia, Indiana, and Pennsylvania.

Vendor-Driven Practice

- Across the nation, local governments are being approached by private collection companies who promise a cash windfall in exchange for a simple ordinance.
- The vendor bills the insurer on behalf of the local government, and if the insurer doesn't pay, the vendor goes after the driver.
- The vendor takes a fee of 10% or more.
- Local governments get "free money," while the vendor prosecutes accident victims.

Costly Consequences

- While costs vary from city to city, fees could range from \$100 to over \$2000 for response services. The "average" cost for a vehicle crash with minimal damage and injuries is expected to be approximately \$200.
- Potential abuses that could be created from these programs include arbitrary and unreasonable charges, minimum number of responders sent to an accident scene, or over responding to minor accidents.
- These fees can also create public outrage and ill will when people learn the details.

Collaborative Solution

- Motorists, auto insurers and state and local lawmakers must work together to put an end to accident taxes.
- In 2010, PCI will urge lawmakers to pass bills to prohibit local governments from imposing an accident response service fee on any person or insurance company.

For more information, visit www.accidenttax.com or www.pciaa.net.

PCI is the nation's premier insurer trade association, representing over 1,000 companies that write 40.5 percent of the nation's automobile, homeowners, business, and workers compensation insurance. The association is also an advocate for sound public policy that fosters a healthy and competitive insurance marketplace. In addition, PCI's wholly owned subsidiary, the [Independent Statistical Service, Inc.](http://www.independentstatisticalservice.com) (ISS) offers a statistical reporting service for 17 property casualty lines.