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Bob Holden
Governor

Catherine B. Leapheart
Department Director

MEMORANDUM

TO: All Workers' Compensation Insurance Companies, Self-Insured Employers Group Trusts and Third-Party Administrators

FROM: Catherine B. Leapheart, Director
Missouri Department of Labor and Industrial Relations

Scott Lakin, Director
Missouri Department of Insurance

DATE: January 31, 2003

RE: **Workers' Compensation Administrative Tax and Second Injury Fund Surcharge for Calendar Year 2003**

As you know, the State of Missouri assesses a workers' compensation administrative tax and surcharge to maintain the fiscal integrity of the Workers' Compensation Administrative Fund and the Second Injury Fund respectively. During the calendar year 2003, the State of Missouri will assess a workers' compensation administrative tax of **2.0 percent**, and a Second Injury Fund surcharge of **4.0 percent.**

The revenue from the administrative tax is used to fund the administrative expenses of the Division of Workers' Compensation (Division). State law requires the director of the Division to estimate the amount of revenue required to administer the workers' compensation program each year and to determine the rate of tax to be paid in the following calendar year. If the estimated available balance of the fund on December 31, of the year the tax rate determination is made falls below 110 percent of the previous year's expenses, the director must impose a tax not to exceed 2.0 percent. Based on the Division director's assessment of the fund balance and projected expenditures, the 2.0 percent tax levy is needed for calendar year 2003.

The revenue from the Second Injury Fund surcharge assessment is used to pay benefits from the fund. The amount of surcharge assessed must be adequate to generate, as nearly as possible, 110 percent of the amount projected to be paid from the Second Injury Fund in the ensuing calendar year, minus the balance contained in the fund at the end of the previous calendar year.

State law requires the director of the Division to estimate the amount of benefits payable from the Second Injury Fund during the ensuing calendar year and to calculate the total amount of the annual surcharge to be imposed. Based on the Division director's assessment of the fund balance and projected expenditures, this assessment will be set at 4.0 percent for 2003. Self-insured employers have been placed on the same payment plan as insurance carriers. The surcharge notice received by self-insured employers for the March payment will be reconciled in the second quarter surcharge notice. For more details check the Division website under Information for Employers and Insurers at **http://www.dolir.state.mo.us/wc/employers/**.

Insurance carriers will continue to use the Second Injury Fund surcharge forms that are available on the Internet at **http://www.dolir.state.mo.us/wc/forms/forms.htm**. To order a mailed copy, please call (573) 526-5756. The Division will mail self-insured employers their Second Injury Fund surcharge forms.