

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 24** HLS 162ES 13
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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|---|-------------------------------|
| Date: June 6, 2016 7:48 PM | Author: ANDERS |
| Dept./Agy.: Insurance | Analyst: Greg Albrecht |
| Subject: Premium Tax Investment Credit | |

TAX/INSURANCE PREMIUM OR -\$1,300,000 GF RV See Note Page 1 of 1
 Provides relative to the insurance premium tax credit (Item #6)

Present law provides reductions in the premium tax liabilities based on the share of admitted assets held in qualifying Louisiana investments. If 17% of admitted assets qualify, then the premium tax is reduced by 67%; if 20% qualify, the tax is reduced by 75%; if 25% qualify, the tax is reduced by 85%; and if 33% qualify, the tax is reduced by 95%. Present law limits the tax credits to no more than 95% of the qualifying credit for two premium tax years, 2016 and 2017, for all payers except life insurance companies with total admitted assets no greater than \$15 million. In addition, effective for 2017 and beyond the bill removes certificates of deposits and cash on deposit from the types of investments that determine the qualification for particular amounts of premium tax reduction. Proposed law provides that health maintenance organizations are not subject to the 5% reduction in the credit. Also excepts these insurers from the modification of the type of investments that no longer provide qualification for the credit.

| EXPENDITURES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 5 -YEAR TOTAL |
|---------------------|----------------------|----------------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | (\$1,300,000) | (\$1,300,000) | \$0 | \$0 | \$0 | (\$2,600,000) |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | (\$1,300,000) | (\$1,300,000) | \$0 | \$0 | \$0 | (\$2,600,000) |

EXPENDITURE EXPLANATION

The Department of insurance may incur some minor costs implementing the changes required by the bill, involving their tax processing system and handing taxpayer inquiries and education.

REVENUE EXPLANATION

The current official revenue forecast for premium tax receipts incorporates estimated investment tax credit reductions, and consequently net revenue increases, of \$8.3 million in FY17, and \$8.6 million in FY18, pursuant to the provisions of Act 10 of 2016 ES1. This bill will provide an exception from the provisions of Act 10 for health maintenance organizations. According to the Department of Insurance, these insurers claimed \$25.8 million of credit for tax year 2015. Excepting them from the 5% reduction of Act 10 will reduce the expected revenue gains of Act 10 by \$1.3 million in each of FY17 and FY18.

Senate Dual Referral Rules House

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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

John D. Carpenter
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Legislative Fiscal Officer