LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 87** HLS 161ES 219
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: March 9, 2016 12:11 PM		**Author:** ANDERS
Dept./Agy.: Insurance		
Subject: Premium Tax Investment Credit		**Analyst:** Greg Albrecht

TAX/INSURANCE PREMIUM EN +$8,300,000 GF RV See Note
Reduces the amount of the insurance premium tax for certain Louisiana investments (Item #6)

Current 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%.
Proposed 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 also establishes a premium tax of 6% on health maintenance organizations with individual market coverage of more than 55,000 as of December 31, 2015. Contingent upon approval of the federal Centers for Medicare and Medicaid services.

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	$0	$0	$0	$0	$0	**$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.	$8,300,000	$8,600,000	$0	$0	$0	**$16,900,000**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

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 amounts of $165.6 million for premium tax year 2016, and $170.6 million for 2017. A 5% reduction in these credit amounts will increase net premium tax receipts to the state by $8.3 million in FY17, and $8.6 million in FY18. According to data provided by the Department of Insurance, the exception provided for certain life insurance companies has the effect of reducing the estimated revenue gain of the bill by about $55,000

The elimination of eligibility of certificates of deposit and cash deposits may have an uncertain effect on net premium tax collections in the future. To the extent insurers are able to reallocate their portfolios of eligible admitted assets into the remaining types of instate allowable assets (various public bonds, mortgages, real property, policy loans, and stocks) they could still receive the full benefit of the tax credits allowed in the law, and state tax receipts would be unaffected. To the extent such reallocations are not fully achieved, the total amount of eligible admitted assets would decline, reducing premium tax credits and increasing net state tax receipts beyond FY18.

The enrolled bill also applies a 6% premium tax rate to health maintenance organizations with individual market coverage of more than 55,000 as of December 31, 2015. According to the Department of Insurance, if the organizations participating in the Bayou Health plans are considered to be writing coverage in the individual market, then those organizations would qualify for the new tax rate based on the 55,000 enrollment threshold as of December 31, 2015. Those organizations reported $3.642 billion of participating premiums in calendar year 2015 (unaudited), and paid $81.955 million of premium tax from the current 2.25% tax rate applicable to them. The 6% rate in this bill would generate an additional $136.6 million of premium tax receipts from the 2015 premium base. These additional receipts would presumably flow to the Medicaid Assistance Trust Fund along with current premium tax receipts from these organizations. Monies from that Fund provide a state match to draw down approximately $1.65 of federal funding (62.24%) for each $1 of state funding (37.74%) in support of the Medicaid program. Implementation of this new tax provision is contingent upon approval of the federal Centers for Medicare and Medicaid services.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer