



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: HB 132 HLS 02- 156
Bill Text Version: ORIGINAL
Opp Chamb Action:
Sub Bill For:
Proposed Amd:

Date: May 9, 2002 11:55 AM Author: TOWNSEND
Dept/Agy:
Subject: Insurance premium tax Analyst: Shawn Hotstream

TAX/INSURANCE PREMIUM OR INCREASE LF RV See Note Page 1 of 2

Authorizes local governments to impose an assessment against all insurers to support public safety

R.S. 22:1076 authorizes local governments to impose a license tax on any insurer engaged in business of issuing any form of insurance policy or contract.

This bill retains the present law, but further authorizes local governments to impose an additional 25% of total taxes payable under present law for the purpose of funding public safety services, which includes fire protection, police protection, emergency medical services, and all recurring costs associated with such services.

Proposed law provides that the proposed assessment shall apply to all taxes collected on or after January 1, 2003, and shall expire on January 1, 2005; provides for the collection of the assessment by the Louisiana Municipal Advisory Technical Services Bureau (LaMATS); and provides for LaMATS to charge a fee for its services, but not to exceed 5% of total taxes collected.

Table with 7 columns: EXPENDITURES, 2002-03, 2003-04, 2004-05, 2005-06, 2006-07, 5 YEAR TOTAL. Rows include State General Fd., Agy. Self-Gen., Stat. Deds./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION:

Additional fees generated by individual municipalities, if they intend to participate, will be used for public safety services and costs associated with the provision of such services. These associated costs include but are not limited to, employee compensation, benefits, and retirement systems.

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REVENUE EXPLANATION:

Because insurance premium taxes in each municipality are not collected by any one entity, and each municipality or parish is not required to participate, and taxes are established differently by municipality, and some undetermined growth factor would have to be built into next years premiums, an accurate estimate of revenue generated from an additional 25% fee assessed on these premiums is indeterminable.

The Louisiana Municipal Association (LMA) has estimated additional local revenues of \$13 to \$15 million based on the following: LMA has actual 2001 insurance premium tax collections on 79 of the 304 total municipalities. LMA assumed a slight correlation between population and premiums and computed a population extraction, even though tax collections are driven by premiums directly, and not population. Specifically, on the municipalities with collection data, LMA figured a per capita ratio, or collections by population, and forecasted total collections based on Louisiana's total population. Assuming \$14 per capita, and the state population is 4,465,430, then total collections are estimated to be \$62,516,000. The additional tax of 25%, assuming all municipalities would participate, would then generate roughly \$15 million.

An alternative estimate of the revenue generated from a 25% additional tax on premiums would include the following assumptions:

- (1) Assume all municipalities or parishes currently tax premiums written;
(2) Assume an average or single tax rate because municipalities tax at different rates (rate derived from total reported 2001 taxes in 79 municipalities divided by total taxable premiums in those municipalities);
(3) Apply these assumptions to total state taxable premium base for FY 01.

In FY 00/2001, the taxable premium base amounted to \$8.1 billion dollars. Assuming 304 municipalities would levy a .5% tax on \$8.1 billion in total taxable premiums statewide, a total of \$40.5 million would be generated. Twenty five percent (25%) of this figure, or \$10.1 million, would be the additional estimated revenues generated if this legislation passes, using the above noted assumptions.

Senate

- 13.5.1 >= \$500,000 Annual Fiscal Cost
13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- 6.8(F) >= \$500,000 Annual Fiscal Cost
6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

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STAFF DIRECTOR



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CONTINUED EXPLANATION (continued from page one) OR INCREASE LF RV See Note

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CONTINUED EXPENDITURE EXPLANATION:

Additional administrative costs associated with the collection of the 25% fee assessed on premiums is indeterminable. However, LaMATS will incur additional collection costs. The taxes authorized in this bill shall be collected by LaMATS through an agreement upon the terms of the collection procedure executed between LaMATS and the municipality or parish imposing the assessment. LaMATS then can charge for its services to cover the additional collection costs for the duration of the agreement, but any fee for the collection of the assessment shall not exceed five percent of the total taxes, assessments, and penalties collected.

Dual Referral Rules

Senate

- 13.5.1 >= \$500,000 Annual Fiscal Cost
- 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- 6.8(F) >= \$500,000 Annual Fiscal Cost
- 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease per year

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