



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 391** HLS 23RS 769
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 13, 2023 3:58 PM	Author: FONTENOT
Dept./Agy.: REVENUE/INSURANCE	Analyst: Benjamin Vincent
Subject: Income Tax Exemption: Homeowners' Premiums	

TAX/INCOME TAX OR -\$5,500,000 GF RV See Note Page 1 of 1
 Authorizes an individual income tax deduction for property insurance premium costs for taxpayers' primary residences

Proposed law provides an income tax deduction from tax table income for premiums paid for homeowner's insurance, condominium owner's insurance, and renter's insurance policies for primary residences (not defined in the bill). Proposed law requires claimants to maintain all records necessary to verify the premiums paid, and provide them to the Department of Revenue when requested.

Effective upon governor's signature, and applicable to taxable periods beginning on or after January 1, 2023.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	\$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

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$55,000,000)	(\$55,000,000)	(\$55,000,000)	(\$55,000,000)	(\$55,000,000)	(\$275,000,000)
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	(\$55,000,000)	(\$55,000,000)	(\$55,000,000)	(\$55,000,000)	(\$55,000,000)	(\$275,000,000)

EXPENDITURE EXPLANATION

The Dept. of Revenue is anticipated to incur minor costs in additional staff time to modify and test tax systems to accommodate the additional deductions.

REVENUE EXPLANATION

Proposed law allows a deduction from tax table income for certain property insurance premiums paid, beginning in Tax Year 2023. A precise value of the total premiums that would qualify for the deduction is not available, however LFO estimates a minimum exposure from a combination of:

- Total homeowner's premiums paid in 2022
(\$2.444 billion, per the Department of Insurance)
- Estimated proportion of eligible primary residential property in the state
(75%, based on homestead exemptions claimed in the Tax Commission Annual Report and a National Association of Homebuilders report)
- Estimated average effective income tax rate on likely homeowners/renters
(3.0%, LFO estimate based on tax return data)

The resulting estimated state general fund revenue impact is a loss of approximately \$55 million annually. This figure likely represents a lower bound, as it does not incorporate an estimate of renter's insurance premiums, which would also be eligible for the deduction.

LFO notes that the bill does not appear to stipulate the definition of a primary residence (fiscal note uses homestead exemption), whether joint filers may claim two policies, or other potential situations, such as verification of multiple claims from one address without a homestead exemption, as may be the case with renters.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Deborah Vivien
Chief Economist