

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 259** HLS 15RS 857

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 15, 2015 2:21 PM	Author: THIERRY
Dept./Agy.: Louisiana Department of Insurance	Analyst: Alan M. Boxberger
Subject: Levies a tax on annual gross premiums for surplus lines	

TAX/INSURANCE PREMIUM OR SEE FISC NOTE GF RV Page 1 of 1
Levies a tax on the annual gross premiums for surplus lines of insurance

Present law authorizes levy of a 5% tax per annum on the premiums on surplus lines insurance reported quarterly in the surplus lines tax report; requires that the tax be collected by the commissioner of insurance and deposited into the SGF; provides for the manner and format of the quarterly surplus lines tax report; requires the commissioner of insurance to join the Nonadmitted Insurance Multi-State Agreement (NIMSA) for the purpose of allocating surplus lines premiums on multistate policies and tax revenues; and provides that a portion of surplus lines premiums not allocable to this state shall not be subject to tax by the state. Proposed law reduces the rate from 5% per annum on the premiums of surplus line of insurance to 4.85% and transfers the tax onto gross premiums on surplus lines of insurance for which La. is the home state of the policyholder; requires surplus line brokers to file only in quarters in which they place single-state surplus lines business and requires an annual report; repeals requirement regarding NIMSA; and provides that the entire surplus lines premium of a surplus lines policy of which La. is the home state of the policyholder shall be subject to the surplus lines tax.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW					
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill appears to have a revenue neutral impact. According to the Department of Insurance, the surplus lines tax reduction from 5% to 4.85% results in a premium tax revenue loss of approximately \$2M per year. Offsetting this tax rate reduction is an expansion of the tax base to include out-of-state premiums where Louisiana is the home state of the policyholder, generating approximately \$2M per year of additional premium tax revenue.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input 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} |

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