

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 89** HLS 21RS 69

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|--|---------|-------------------------------|
| Date: April 23, 2021 | 1:27 PM | Author: BAGLEY |
| Dept./Agy.: Revenue / Insurance | | Analyst: Greg Albrecht |
| Subject: Deduction For Vehicle Liability Premiums | | |

TAX/INCOME TAX OR DECREASE GF RV See Note
Establishes an individual income tax deduction for certain insurance costs

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Proposed law provides a deduction from taxable income for the costs of personal motor vehicle liability premiums. The deduction is the lesser of the actual premiums or \$1,500, and not to exceed total taxable income.

Effective for premiums paid on or after January 1, 2022.

| EXPENDITURES | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 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 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | DECREASE | DECREASE | DECREASE | DECREASE | \$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 |

EXPENDITURE EXPLANATION

The Department of Revenue indicates that the costs to modify and test tax systems to incorporate the additional adjustment to income provided by the bill would be approximately \$26,000 of staff time.

REVENUE EXPLANATION

According to the Department of Insurance, there were \$3.1 billion of private passenger vehicle liability premiums reported in Louisiana in 2020, with the average premium nationwide of \$1,015 in 2018 (NAIC Automobile Report). While that nationwide average would suggest essentially all of the premium total would be deductible, the Department believes the average premium in Louisiana to be greater than the nationwide average, and that the \$1,500 limitation in the bill would limit the deduction for many insured taxpayers.

The amount of state tax revenue loss attributable to the bill is indeterminable with the available information, but some magnitudes of potential cost can be derived. Premiums would be distributed across incomes, thus applying the 2019 effective aggregate tax rate on personal gross income of 2.9% would result in a maximum tax loss attributable to all affected premiums of \$90 million per year. If the \$1,500 limitation reduced the aggregate premium deduction by as much as one-half, the state revenue loss would be approximately \$45 million per year. At a 75% reduction effect, the revenue loss would still be in excess of \$22 million per year. Thus, the revenue loss attributable to the deduction provided by the bill, while indeterminable, is likely to be several tens of millions of dollars per year.

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}


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Legislative Fiscal Officer