



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 224** HLS 25RS 420

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 18, 2025	11:17 AM	Author: GALLE
Dept./Agy.: Department of Insurance		
Subject: Reduced premium tax rate on vehicle policies		Analyst: Deborah Vivien

TAX/INSURANCE PREMIUM

OR DECREASE GF RV See Note

Decreases the annual premium tax on certain vehicle insurance policies

Page 1 of 1

Current law imposes a tax on most insurance policies in the state with a minimum payment of \$185 for gross annual premiums up to \$6,000 plus an additional 3% of gross annual premiums above \$6,000 (rounded up to the nearest \$10,000).

Proposed law retains current law including the \$185 annual minimum but reduces the premium tax rate on gross annual premiums of vehicle insurance policies from 3% to 2% (in the bill as \$300/\$10,000 in premium to \$200/\$10,000 in premium) for gross annual premiums above \$6,000.

Effective on vehicle insurance obligations issued or executed on or after July 1, 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	\$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

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	(\$75,000,000)	(\$60,000,000)	(\$60,000,000)	(\$60,000,000)	(\$255,000,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	(\$75,000,000)	(\$60,000,000)	(\$60,000,000)	(\$60,000,000)	(\$255,000,000)

EXPENDITURE EXPLANATION

Though premium tax is paid quarterly, the rate is applied against a calendar year of gross policy costs. Charging two rates within a calendar year will be more complicated to administer in the first year of the program. The Department of Insurance does not currently collect the date of execution of the individual policies being taxed. Further, the current collection system at DOI is not able to accommodate partial year rates and may require additional resources to comply in the first year.

REVENUE EXPLANATION

The bill is expected to reduce SGF revenue by an estimated \$60M annually by decreasing the premium tax rate on auto policies by 1%. Quarterly premium tax payments are expected to decline by roughly \$15 M each quarter, beginning on July 1, 2026. The first annual reduction of \$75 M will be in FY 27 where 5 quarters will be impacted (one quarter of refunds is anticipated due to mandatory pre-payments). Subsequent years will include 4 quarters of impact or a \$60 M reduction in SGF. This estimate does not consider any auto policy price or volume changes since 2023 which could impact the actual SGF reduction. According to the Department of Insurance, about \$6 B in auto policies were issued during CY 2023 with virtually all impacted by the bill.

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}

Alan M. Boxberger
Legislative Fiscal Officer