



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 594** HLS 25RS 956  
Bill Text Version: **ORIGINAL**  
Opp. Chamb. Action:  
Proposed Amd.:  
Sub. Bill For.: **REVISED**

|                                                            |         |                                |
|------------------------------------------------------------|---------|--------------------------------|
| <b>Date:</b> April 27, 2025                                | 1:36 PM | <b>Author:</b> HENRY, CHANCE   |
| <b>Dept./Agy.:</b> Insurance                               |         |                                |
| <b>Subject:</b> Reduce premium tax rate and repeal credits |         | <b>Analyst:</b> Deborah Vivien |

TAX/INSURANCE PREMIUM OR -\$109,000,000 GF RV See Note Page 1 of 1  
Establishes a flat rate of insurance premium tax and repeals certain insurance premium tax credits and exemptions

Current law levies a state excise tax on insurance premiums at a rate of \$185 fixed on annual gross premium of \$6,000 or less and roughly 3% on policies over \$6,000. Current law authorizes credits against the premium tax including an investment credit for companies investing certain percentages of assets in the state, retaliatory tax credits that make up the difference between the higher LA rate and other states and, with no recent activity, CapCo credits among others.

Proposed law lowers the premium tax rate to a flat 1.6% of the gross annual premiums and effectively increases the base by repealing the state investment credit and the retaliatory tax credit (also abolishes the inactive CapCo credit). Proposed law retains current law with respect to MCO providers and local premium taxes and credits.

Effective with Tax Periods beginning on or after January 1, 2026.

| EXPENDITURES        | 2025-26    | 2026-27    | 2027-28    | 2028-29    | 2029-30    | 5 -YEAR TOTAL |
|---------------------|------------|------------|------------|------------|------------|---------------|
| State Gen. Fd.      | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Agy. Self-Gen.      | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Ded./Other          | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Federal Funds       | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| Local Funds         | \$0        | \$0        | \$0        | \$0        | \$0        | <b>\$0</b>    |
| <b>Annual Total</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b>    |

| REVENUES            | 2025-26                | 2026-27               | 2027-28               | 2028-29               | 2029-30               | 5 -YEAR TOTAL          |
|---------------------|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|
| State Gen. Fd.      | <b>(\$109,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$413,000,000)</b> |
| Agy. Self-Gen.      | \$0                    | \$0                   | \$0                   | \$0                   | \$0                   | <b>\$0</b>             |
| Ded./Other          | \$0                    | \$0                   | \$0                   | \$0                   | \$0                   | <b>\$0</b>             |
| Federal Funds       | \$0                    | \$0                   | \$0                   | \$0                   | \$0                   | <b>\$0</b>             |
| Local Funds         | \$0                    | \$0                   | \$0                   | \$0                   | \$0                   | <b>\$0</b>             |
| <b>Annual Total</b> | <b>(\$109,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$76,000,000)</b> | <b>(\$413,000,000)</b> |

EXPENDITURE EXPLANATION

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


REVENUE EXPLANATION

The premium tax is a percentage of prior year premiums paid on a calendar year basis with estimated prepayments due in April, July and October with a true-up the following March once prior year premiums are known. According to the Department of Insurance, the rate reduction in the bill as estimated by applying the rate to CY 2024 premiums of about \$26B would result in a reduction in SGF revenue of about \$368 M annually. This reduction would be offset by the bill’s repeal of the investment credit (\$283 M) and the retaliatory tax credit (\$9 M) for a net annual reduction in SGF of about \$7 M. However, in FY 26, quarterly prepayments based on the higher rate would also have to be refunded at an estimated \$36 M reduction in SGF. The net estimated impact in the first year would bring the estimated first year SGF reduction to \$109 M with subsequent years estimated at about \$76 M.

The state investment credit is available to insurance providers based on the percentage of qualifying Louisiana investment within the state and represents a reduction of about \$283 M in SGF revenue annually (carryforwards are not available). This bill repeals the state credit (local credit is maintained), which is expected to increase SGF revenue by an estimated \$283 M, providing an offset to the rate reduction in the bill.

The retaliatory tax credit was first effective on CY 2025 premiums and reached its cap of \$9 M in the first year of effectiveness. With a 10-year carryforward provision for credits in excess of the cap, it is not clear how much the use of outstanding carryforward credits may thwart an offset to the premium tax rate reduction.

Medicaid MCO providers and local premium taxes and credits are not changed in the bill.

|                                                                               |                            |                                                                                            |                                                                                       |
|-------------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <u>Senate</u>                                                                 | <u>Dual Referral Rules</u> | <u>House</u>                                                                               |  |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}       |                            | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    | <b>Alan M. Boxberger</b>                                                              |
| <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} | <b>Legislative Fiscal Officer</b>                                                     |