

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 12** SLS 13RS 32  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> April 19, 2013 5:38 PM	<b>Author:</b> MURRAY
<b>Dept./Agy.:</b> Revenue / Insurance	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Tax Credit - Wind and Hail Deductible Savings Account	

TAX/INCOME/PERSONAL OR DECREASE GF RV See Note Page 1 of 1  
 Grants a refundable individual income tax credit for up to \$600 of deposits made in a tax year to Wind and Hail Deductible Savings Accounts which provide reimbursement to the account holder for damages or losses not covered because of a Proposed legislation provides for a refundable tax credit for up to \$600 per year of deposits made to Wind and Hail Deductible Savings Accounts. The accounts provide reimbursement to the account holder for damages or losses that have to be paid by the policy deductible. The account maximum is equal to the deductible for hurricane, named storm or wind/hail deductibles in an insurance policy. A taxpayer may set up accounts for a number of immediate and extended relatives specified in the bill. The tax credit is to be paid from the current collections of income taxes. Any distribution of monies pursuant to the proposed bill shall not be considered taxable income of the account owner.

Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						
<b>REVENUES</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>5 -YEAR TOTAL</b>
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Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There may be some administrative expenditures associated with this measure to the Department of Revenue. Aside from modifications to the tax processing system to account for an additional tax credit, the bill charges the Department of Revenue with approving qualified account administrators. It is possible a relatively large number of account administrators would want to take advantage of this business as the number of accounts increased.

**REVENUE EXPLANATION**

The bill essentially reimburses taxpayers for their annual contributions to the accounts they establish, up to \$600 per year per account. This has the potential to substantially reduce state general fund receipts. It is speculative as to how many such accounts would be established, but the bill fully reimburses contributions up to \$600 per year per account, and several accounts can be established by a single taxpayer for various family members. Initially, utilization is likely to be small as taxpayers learn about these accounts. However, a similar concept has existed with federal medical savings accounts, and familiarity with those accounts combined with the state's recent experiences with insurance issues and natural disasters could make adoption of similar state level accounts for homeowner insurance more likely; especially since the federal account provides only a tax deduction while this new state account provides a refundable tax credit. State revenue losses may grow rapidly given the generous nature of these accounts.

According to the U.S. Census Bureau, the median housing value in Louisiana is approximately \$135,000. According to the DOI, hurricane deductibles range from 0% to 5%, which results in up to \$6,750 of eligible deposits into such an account (or 11 years of \$600 deposits and consequent tax credits per participating residence). DOI also indicates that there are about 1.1 million eligible policies in Louisiana. It would take 834 accounts at \$600 to generate \$500,000 of state tax loss in a year.

<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) >= \$500,000 Annual Fiscal Cost {S}
<input checked="" 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}

**John D. Carpenter**  
**Legislative Fiscal Officer**