RÉSUMÉ DIGEST

ACT 10 (HB 87) 2016 First Extraordinary Session Anders

Existing law authorizes an annual license tax on every health maintenance organization authorized and certified to engage in the business of issuing contracts of coverage to enrollees for health care services or prepaid medical services in this state, in lieu of the state income tax and corporate franchise tax.

Existing law requires the annual license tax to be paid on the gross amount of the receipts from contracts of the business at the same rate as the license tax on life insurance companies in existing law.

New law increases the rate for health maintenance organizations with more than 55,000 individuals enrolled in coverage in the individual market in La. as of Dec. 31, 2015, from $140 for the first $7K in gross annual premiums or less, with an additional $225 for each additional $10K, to $600 per $10K in gross annual premiums collected.

New law relative to the increase in annual license tax for certain health maintenance organizations conditions the effectiveness of the increase in the annual license tax on the approval by the Centers for Medicare and Medicaid Services.

New law requires the commissioner of insurance and the secretary of the Dept. of Health and Hospitals to promulgate rules to implement the rate increase, to meet the requirements of federal law, and to obtain approval from the Centers for Medicare and Medicaid Services. Further prohibits the commissioner from adjusting the enrollment numbers in new law.

Existing law authorizes a credit against the insurance premium tax credit for insurers who invest a portion of their total admitted assets in La. financial institutions and investment products. The amount of the credit is graduated, with the amount increasing as the percentage of an insurer's assets invested in La. increases as follows:

(1) A 66% tax credit for investment of 16% of assets.

(2) A 75% tax credit for investment of 20% of assets.

(3) An 85% tax credit for investment of 25% of assets.

(4) A 95% tax credit for investment of 33% of assets.

Existing law defines "qualified La. investment" as:

(1) Bonded debt issued with approval by the La. State Bond Commission.

(2) Mortgages on property located in this state.

(3) Real property located in this state.

(4) Policy loans and other loans to residents and corporations domiciled in La.

(5) Common or preferred stock in corporations domiciled in this state.

Prior law included within the definition of "qualified La. investment" the folllowing:

(1) Certificates of deposit issued by a La. bank or investments in such instruments by a trust company with a main office or one or more branches in La.

(2) Cash on deposit in a La. bank or a trust company holding such funds in trust, operating in the state with a main office or one or more branches.

New law deletes the certificates of deposit and cash on deposit from the type of investments defined as "qualified La. investments" beginning Jan. 1, 2017.

New law reduces the tax credit as determined in existing law by 5% for any tax year beginning on or after Jan. 1, 2016, and before Jan. 1, 2018, unless the insurance company claiming the reduction writes life insurance premiums and has total admitted assets of $15M or less.

Effective upon signature of governor (March 9, 2016).

(Amends R.S. 22:270(A) and 832(A) and (C))