

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 473** HLS 19RS 14
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 22, 2019 10:16 AM	Author: GLOVER
Dept./Agy.: LA Dept. of Insurance	Analyst: Zachary Rau
Subject: Adds Eligible Investments to Insurance Premium Tax Credit	

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1

Adds certain investments by businesses issuing life insurance policies to investments eligible for the insurance premium tax credit

Present law authorizes a graduated credit against the insurance premium tax ranging from 66% - 95% for insurers investing a portion of their total admitted assets in Louisiana financial institutions and investment products. Present law defines qualified Louisiana investments for the purposes of claiming the insurance premium tax credit. Proposed law adds the following investments to the investments qualifying for the insurance premium tax credit for taxable years beginning on or after January 1, 2020: certificates of deposit issued by a Louisiana bank or investments in instruments by a trust company with a main office or one or more branches in Louisiana; and cash on deposit in a bank or trust company holding funds in trust which operate in the state with a main office or one or more branches. Proposed law provides that the investments provided for in proposed law shall only qualify for credits when made by firms issuing life insurance policies that have total admitted assets under \$3 M; are domiciled, licensed, and operating in LA; maintain their primary corporate office and at least 70% of its employees in LA; and maintain core business functions in LA. Effective January 1, 2020.

EXPENDITURES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>5 -YEAR TOTAL</u>
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>	<u>\$0</u>
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law may decrease SGF revenues by an estimated \$3,000 - \$5,000 beginning in FY 21 and in subsequent fiscal years. The LA Dept. of Insurance reports that two firms currently qualify for the additional insurance premium tax credit eligibility outlined in the bill with combined premium tax revenues for both firms totaling \$5,005 in 2018. The insurance premium tax investment credit is currently granted between 66.67% - 95% depending upon the level of asset investment by firms. Applying the range of credit rates (66.67% - 95%) to baseline premium tax revenues of \$5,005 yields revenue losses of \$3,336 (66.67 * \$5,005) - \$4,754 (95% * \$5,005) annually. However, this revenue loss may increase or decrease in subsequent fiscal years to the extent the premiums and investments of the affected firms varies.

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}

Gregory V. Albrecht
 Chief Economist