

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 657** HLS 21RS 620

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 10, 2021	5:16 PM	Author: GLOVER
Dept./Agy.: Insurance		Analyst: Greg Albrecht
Subject: Premium Tax Reduction Based On Investments		

TAX CREDITS OR DECREASE GF RV See Note Page 1 of 1
Expands the types of investments eligible for the insurance premium tax credit

Current law provides reductions in the premium tax based on the share of admitted assets held in qualifying Louisiana investments. If 17% of admitted assets qualify, then the premium tax is reduced by 67%; if 20% qualify, the tax is reduced by 75%; if 25% qualify, the tax is reduced by 85%; and if 33% qualify, the tax is reduced by 95%. Qualifying investments include state & local bonds, mortgages and real property located in the state, policy loans to residents and domiciled firms, and stock of domiciled firms. Additional in-state bank instruments are allowed for health maintenance organization insurers.

Proposed law specifies various bank instruments as qualifying investments for certain defined life insurers (in-state insurer, less than \$3 million of admitted assets, maintains primary corporate office and core operations along with at least 70% of employees in the state). Effective for taxable years beginning on or after January 1, 2022.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
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>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The Dept. of Insurance indicates that it can identify four companies that could qualify under this bill for the premium tax reductions provided in current law. The combined 2020 premium tax liability of these four firms was approximately \$7,500. Depending on the share of their admitted assets held in qualifying investments, total combined premium tax reduction could range from 66% - 95%, or approximately \$5,000 - \$7,000 per year.

The rate reductions are applicable beginning with tax year 2022, and reduce state premium tax receipts beginning in FY23.

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}

Christopher A. Keaton
Legislative Fiscal Officer