



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 594** HLS 25RS 956
Bill Text Version: **RE-REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 23, 2025	10:51 AM	Author: HENRY, CHANCE
Dept./Agy.: Insurance		
Subject: Reduce premium tax rate and repeal credits		Analyst: Deborah Vivien

TAX/INSURANCE PREMIUM RR SEE FISC NOTE GF RV Page 1 of 2
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, and CapCo credits among others. Proposed law lowers the property and casualty (P&C) premium tax rate to a flat 2.8% of the gross annual premiums paid in tax year 2026 and triggers a 0.2% reduction annually (down to 1%) beginning in tax year 2027 if net premium tax plus retaliatory tax proceeds from the prior year are greater than \$273 M, as tested on July 1, limited per business to the 2024 Annual Premium Statement reduction. Proposed law directs a 4 year phase-out of the investment credit beginning in tax year 2029, restricts investment credit eligibility and repeals the inactive CapCo credit. Proposed law retains current law with respect to Life/Accident/Health premiums, Medicaid MCO providers and local premium taxes/credits. Effective TY 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$25,800,000	(\$6,000,000)	(\$39,800,000)	(\$7,000,000)	(\$19,500,000)	(\$46,500,000)
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$25,800,000	(\$6,000,000)	(\$39,800,000)	(\$7,000,000)	(\$19,500,000)	(\$46,500,000)

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 and a true-up the following March once prior year premiums are known. The fiscal note assumes the tax rate triggers are based on the cumulative amount of premium tax collected, net of credits, though the calculation is not clear in the bill. The fiscal note also translates tax liabilities into fiscal year collections using historical collection patterns.

The bill makes three major changes to the property and casualty (P&C) premium tax beginning in tax year 2026: 1) a rate reduction to 2.8% with an annual trigger lowering the rate by 0.2% until 1% if prior year net P&C premium tax and retaliatory tax collections are greater than \$273 M; 2) a four-year phase-out of the investment credit beginning in tax year 2029 with a full repeal in tax year 2032 and capped at 2024 values for 2026-2028; and 3) restrictions to the eligibility for the investment credit.

The bill is expected to result in an estimated increase in SGF in FY 26 of \$25.8 M, but subsequent reductions to SGF revenue of \$6 M in FY 27, \$39.8 M in FY 28, \$7 M in FY 29 and \$19.5 M in FY 30 with those losses increasing substantially over time, possibly to hundreds of millions annually as the rate is lowered by 1/3 to 1% and the elimination of the investment credit in FY 34 no longer provides an offset to the fiscal impact. Under the assumptions, including an assumed 3% P&C premium growth, the rate is lowered in FY 26 to 2.8%, falls to 2.4% by FY 28, remains at 2.4% but decreases by 0.2% to 1.4% in FY 34 and FY 35, to 1.2% in FY 36 and FY 37, and finally reaching 1% in FY 38. Known increases in future premium tax credits such as the LIGA assessment and New Market Tax Credits (no pending legislation is considered*) also impact the rate reduction path. The FY 26 impact is smaller in the early years as the rate and investment credits in the bill adjust creating relatively stable collections that are close to the baseline. **With this methodology, as the rate continues to adjust downward and the offsetting credits end, the current law baseline continues to grow twice as fast at a 3% rate (2.1% effective rate), while the proposed collections in the bill grow at a 1% rate leading to much larger revenue loss predictions outside of the fiscal note horizon.** The other investment credit eligibility restrictions in the bill were unable to be quantified due to limited access to data but could serve to further magnify the impact to the state fisc.

CONTINUED ON PAGE 2

Senate	Dual Referral Rules	House	
<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}	
<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}	


Alan M. Boxberger
Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2

CONTINUED REVENUE EXPLANATION

The fiscal note makes no consideration for a potential increase in the retaliatory tax that may expedite the rate decreases. The lowering of the premium tax rate may put Louisiana in a position to receive additional retaliatory taxes, though the tax rates that are lowered in the bill are added to other taxes and assessments when comparing rates between the states. With LA having a high premium tax compared to other states, it is not clear how the rates proposed in the bill combined with other assessments and taxes will compare to similar measures in other states (who may also be changing their rates). The possibility of increased revenue due to lower investment credits or increased retaliatory taxes is not ruled out; it’s uncertainty dictates that it be added as revenue only in the event it is realized.

**Existing credits against the tax are slated to increase, including the LIGA assessment and New Market Tax Credits authorized in Act 433 of 23RS. Several bills proposed this session may also impact net premium tax collections should they become enacted, potentially moving collections even further away from the trigger threshold.*

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
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<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}	Alan M. Boxberger Legislative Fiscal Officer