

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 502** HLS 14RS 1073
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 18, 2014 10:36 AM **Author:** BURFORD
Dept./Agy.: Louisiana Department of Insurance / Revenue **Analyst:** Alan M. Boxberger
Subject: Premium Tax Rebate For Discounts To Retired Armed Forces

INSURANCE/AUTOMOBILE OR DECREASE GF RV See Note Page 1 of 1
 Provides for a twenty percent discount on automobile insurance for retired members of the armed forces.

Present law requires an insurer to provide a 25% reduction in automobile liability insurance rates to active duty military personnel.
Present law provides a premium tax credit to insurers equal to the discount provided to active military personnel.

Proposed law additionally provides retired members of the armed forces, or their surviving spouses, residing in Louisiana a 20% premium reduction in their automobile liability rates. Proposed law provides a rebate out of premium taxes paid by insurers equal to the amount of premium reduction provided to retired members of the armed forces or their surviving spouses. Proposed law is effective beginning on July 1, 2015.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	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	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Louisiana Department of Insurance currently analyzes premium tax filings of insurers writing policies in Louisiana to determine the total value of the military rebate on automobile insurance. Proposed law will not materially alter the work process or workload of the Department of Insurance. Rebate payments will be made by the Department of Revenue, where some minor additional workload will be required, to add this new rebate to the existing rebates paid by the Department.

REVENUE EXPLANATION

While a precise estimate of the state revenue loss that will result from the bill is difficult to determine, some idea of the additional exposure can be obtained. The average discount provided for policies issued to active duty members of the military was \$67.21 in the tax year of 2012, at a 25% discount rate. By extending the military reduction on automobile insurance to retired members of the armed forces or their surviving spouses, and providing as rebate from premium taxes to insurers to reimburse for the premium reductions, the state will realize a state general fund (SGF) revenue reduction equal to the rebate on a per-member basis multiplied by the number of member premium discounts. Insurers providing the premium discounts will be entitled to a rebate payment from premium taxes paid in an amount equal to the 20% discount provided, or roughly \$53.77 per member (\$67.21 X 0.8, a new 20% discount is 80% of the existing 25% discount).

The U.S. Census reported the number of retired armed forces members residing in Louisiana as of 2010 at 25,694. Information regarding the additional number of surviving spouses is not readily available. Based on the average rebate amount received by existing active duty recipients of this benefit, and adjusting for a 20% discount instead of a 25% one, for every 1,000 such members that carry automobile insurance, the potential exposure to the SGF will be a loss of revenues totaling approximately \$53,768. For illustrative purposes, if the number of retirees and surviving spouses purchasing automobile insurance in Louisiana equaled 10,000 (less than 40% of just the known retiree population), the exposure would be approximately \$538,000. It is uncertain how many of the target population carry automobile liability insurance in the state, although liability insurance is required by the state. To the degree that the number of beneficiaries taking the automobile discount would be greater or lesser than 10,000, the loss of revenue would change incrementally.

Note: The bill provides for the rebate payments to be made by the Department of Revenue, with no provision for appropriation, although the premium tax is administered and collected by the Department of Insurance.

The current program for active duty military members resulted in \$1.6 million of premium tax credit in FY13.

- Senate Dual Referral Rules House
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 - 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}
 - 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 - 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}
 - 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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