

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 87** HLS 161ES 219

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 1, 2016 6:32 PM	Author: ANDERS
Dept./Agy.: Insurance	Analyst: Greg Albrecht
Subject: Premium Tax Investment Credit	

TAX/INSURANCE PREMIUM EG +\$8,300,000 GF RV See Note Page 1 of 1
Reduces the amount of the insurance premium tax for certain Louisiana investments (Item #6)

Current law provides reductions in the premium tax liabilities 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%.

Proposed law limits the tax credits to no more than 95% of the qualifying credit for two premium tax years, 2016 and 2017, for all payers except life insurance companies with total admitted assets no greater than \$15 million. In addition, effective for 2017 and beyond the bill removes certificates of deposits and cash on deposit from the types of investments that determine the qualification for particular amounts of premium tax reduction.

Effective upon governor's signature.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$8,300,000	\$8,600,000	\$0	\$0	\$0	\$16,900,000
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$8,300,000	\$8,600,000	\$0	\$0	\$0	\$16,900,000

EXPENDITURE EXPLANATION

The Department of insurance may incur some minor costs implementing the changes required by the bill, involving their tax processing system and handing taxpayer inquiries and education.

REVENUE EXPLANATION

The current official revenue forecast for premium tax receipts incorporates estimated investment tax credit amounts of \$165.6 million for premium tax year 2016, and \$170.6 million for 2017. A 5% reduction in these credit amounts will increase net premium tax receipts to the state by \$8.3 million in FY17, and \$8.6 million in FY18. According to data provided by the Department of Insurance, the exception provided for certain life insurance companies has the effect of reducing the estimated revenue gain of the bill by about \$55,000

The elimination of eligibility of certificates of deposit and cash deposits may have an uncertain effect on net premium tax collections in the future. To the extent insurers are able to reallocate their portfolios of eligible admitted assets into the remaining types of in-state allowable assets (various public bonds, mortgages, real property, policy loans, and stocks) they could still receive the full benefit of the tax credits allowed in the law, and state tax receipts would be unaffected. To the extent such reallocations are not fully achieved, the total amount of eligible admitted assets would decline, reducing premium tax credits and increasing net state tax receipts beyond FY18.

- | | | |
|--|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <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} | |

John D. Carpenter
Legislative Fiscal Officer