

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 664** HLS 17RS 1034  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 22, 2017	9:12 AM	<b>Author:</b> HOFFMAN
<b>Dept./Agy.:</b> Insurance		<b>Analyst:</b> Willis Brewer
<b>Subject:</b> Insurance premium tax credit		

TAX/INSURANCE PREMIUM EG SEE FISC NOTE GF RV See Note Page 1 of 1  
 Provides relative to the insurance premium tax credit

Present law authorizes a credit against the insurance premium tax for insurers who invest a portion of their total admitted assets in La. financial institutions and investment products. The amount of the credit is graduated, with the amount increasing as the percentage of an insurer's assets in qualified investments, as follows: (1) A 66% tax credit for investment of 16% of assets. (2) A 75% tax credit for investment of 20% of assets. (3) An 85% tax credit for investment of 25% of assets. (4) A 95% tax credit for investment of at least 33% of assets. Present law authorizes, for taxable years beginning on or after Jan. 1, 2017, and before Jan. 1, 2019, the following as "qualified La. investments" for health maintenance organizations to claim the insurance premium tax credit: (1) Certificates of deposit issued by a La. bank or investments in such instruments or (2) Cash on deposit in a La. bank or a trust company holding such funds in trust, operating in the state with a main office or one or more branches.

Proposed law removes the sunset date of Jan. 1, 2019. Proposed law adds the following criteria that must be met for a health maintenance organization to qualify for the premium tax credit for a qualifying Louisiana investment: (1) Offers fully insured commercial or Medicare Advantage products. (2) Is domiciled, licensed, and operating in this state. (3) Maintains its primary corporate office and at least seventy percent of its employees in this state. (4) Maintains its core business functions in this state. Effective January 1, 2018.

<b>EXPENDITURES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

The proposed law may have an indeterminable negative impact on state revenues from insurance premium tax collections. This legislation continues health maintenance organizations (HMO) authority to claim certificates of deposit (CD) issued by a La. bank or cash on deposit in a La. bank as a qualifying Louisiana investment in order to receive an insurance premium tax credit. However, this legislation provides additional criteria a health maintenance organization must meet in order to be eligible for the insurance premium tax credit for qualifying Louisiana investments.

In 2016, there were six (6) HMOs with a premium tax liability of approximately \$93.9 M. Of these six, five (5) HMOs qualified for the premium tax credit of approximately \$82.5 M resulting in \$11.4 M of the state tax liability. As a result of this legislation's new criteria and based on the HMO's current investments, there will be two HMOs that will qualify for these tax credits. In 2016, the combined tax credit for these two (2) HMOs was \$46.1 M while the other three HMOs cumulative tax credit was \$36.4 M.

Based on information for the Louisiana Department of Insurance (LDI), these other ineligible HMOs have either already predominantly invested or have been making adjustments to invest in other qualifying Louisiana assets (including state bonds, mortgages, real estate/property, policy loans, common or preferred stock in corporations residing in La) in order to qualify for insurance premium tax credits without the extension of the existing special provisions.

This legislation will continue allowing HMOs that meet the additional criteria to claim cash and CDs in Louisiana banks as a qualifying investment to receive insurance premium tax credits. However, the net fiscal impact is difficult to assess since HMOs have other options to retain these insurance premium tax credits, and have been utilizing those options.

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}

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