

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 361** HLS 19RS 890
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 22, 2019 12:12 PM	Author: JORDAN
Dept./Agy.: LA Dept. of Insurance/Dept. of Public Safety	Analyst: Zachary Rau
Subject: Levies Premium Tax on Certain Surplus Lines Coverage	

TAX/INSURANCE PREMIUM OR INCREASE SD RV See Note Page 1 of 1
 Provides for a premium tax on surplus lines coverage that includes fire loss or damage

Present law requires foreign and alien insurers (excluding life insurers) to pay a tax equal to 2% of the amount of premiums received from any business which insures property against loss or damage by fire within 60 days after December 31 of each year. Proposed law extends applicability of the 2% premium tax on insurers insuring property against loss or damage by fire to surplus lines insurers insuring against damage or loss by fire.

Present law levies a 1.25% fire marshal tax on gross annual premium receipts from any firm which insures property against fire damage less return premiums on all insurers doing business in LA which insure property against fire damage. Proposed law extends applicability of the 1.25% tax to surplus lines insurers insuring against damage or loss by fire.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	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	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law may increase revenues for the statutorily dedicated 2% Fire Insurance Fund and the LA Fire Marshal Fund by an indeterminable amount in FY 20 and subsequent fiscal years. The proposed legislation extends applicability of the 2% fire insurance premium tax and the 1.25% fire marshal tax to surplus lines insurers that insure against loss or damage by fire. To the extent currently reported surplus lines coverages include fire, and are already subject to the existing tax rates, the bill does not raise revenue. However, to the extent currently reported surplus lines coverages do not include fire, the bill does raise revenue. The LA Dept. of Insurance does not presently track the composition of surplus lines coverages, and is unable to provide a premium base to which the taxes extended by this bill might apply.

Since current law does not explicitly refer to surplus lines insurers with regard to these two levies, it is likely that the bill extends taxation to some amount of premiums not currently being included in the taxed premium base and, consequently increases revenues for the 2% Fire Insurance Fund and the 1.25% LA Fire Marshal Fund. Since the bill would be effective August 1, 2019, it is assumed that the 2019 premium year is affected, and any additional collections would be first received in FY 20.

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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