

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Date: May 19, 2019 3:20 PM	Author: JORDAN
Dept./Agy.: LA Dept. of Insurance/Dept. of Public Safety	Analyst: Zachary Rau
Subject: Dedicates Premium Tax on Surplus Lines Coverage	

TAX/INSURANCE PREMIUM EG -\$15,100,000 GF RV See Note Page 1 of 1
 Provides for the disposition of the taxes collected on certain surplus lines of insurance

Present law levies a tax equal to 4.85% per annum of the amount of gross premiums for all surplus lines of insurance for which Louisiana is the home state of the policyholder. The avails of the tax flow to the state general fund.

Proposed law retains the aggregate 4.85% tax for all surplus lines of insurance, but allocates the avails to the following funds in the accompanying percentage points of tax - state general fund (3.85%); Fire Marshal Fund (0.6%); 2% Fire Insurance Fund (0.4%).

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	\$0	\$0	\$0	\$0	\$0	\$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.	(\$15,100,000)	(\$15,100,000)	(\$15,100,000)	(\$15,100,000)	(\$15,100,000)	(\$75,500,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$15,100,000	\$15,100,000	\$15,100,000	\$15,100,000	\$15,100,000	\$75,500,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law will decrease SGF revenues by an estimated \$15.07 M and increase aggregate revenues for the statutorily dedicated 2% Fire Insurance Fund and the LA Fire Marshal Fund by a like amount in FY 20 and subsequent fiscal years. This measure retains the 4.85% per annum levy on gross premiums for all surplus lines of insurance, but dedicates 1 percentage point of the tax in the aggregate to the aforementioned statutory dedications.

The LA Dept. of Insurance reports that premium year 2018 collections of the surplus lines premium tax totaled \$73.11 M, with all proceeds accruing to the SGF. Dividing the surplus lines tax collections by the tax rate of 4.85% yields estimated total 2018 surplus lines premiums of approximately \$1.51 B (\$73.11 M / 4.85%). Applying the allocation methodology of the proposed legislation to 2018's total surplus lines premiums yields accruals to each fund in the following amounts: State General Fund - \$58.04 M (\$1.51 B * 3.85%); Fire Marshal Fund - \$9.04 M (\$1.51 B * .06%); 2% Fire Insurance Fund - \$6.03 M (\$1.51 B * .04%). Thus, \$15.1 M is diverted from the state general fund and into the two dedicated funds. However, actual accruals to each fund are dependent upon the gross premiums in a given year.

Since the bill would be effective August 1, 2019, it is assumed that the 2019 premium year is affected with tax collections in the spring of 2020, and dedication of collections pursuant to this measure would first occur 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}

Gregory V. Albrecht
Chief Economist