

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 174** HLS 20RS 46
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
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| Date: April 30, 2020 11:36 AM | Author: JORDAN |
| Dept./Agy.: LA Dept. of Insurance/Ofc. of the State Fire Marshal | Analyst: Zachary Rau |
| Subject: Redistribution of Surplus Lines Levy | |

FUNDS/FUNDING OR -\$10,310,000 GF RV See Note Page 1 of 1
 Re-dedicates a portion 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 amounts – State General Fund (86%); Fire Marshal Fund (6%); 2% Fire Insurance Fund (8%).

Effective July 1, 2020.

| EXPENDITURES | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 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 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| State Gen. Fd. | (\$10,310,000) | (\$10,310,000) | (\$10,310,000) | (\$10,310,000) | (\$10,310,000) | (\$51,550,000) |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$10,310,000 | \$10,310,000 | \$10,310,000 | \$10,310,000 | \$10,310,000 | \$51,550,000 |
| 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 \$10.31 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 21 and subsequent fiscal years. This measure retains the 4.85% per annum levy on gross premiums for all surplus lines of insurance, but dedicates 14% of the tax revenues in the aggregate to the aforementioned statutory dedications.

The LA Dept. of Insurance reports that premium year 2019 collections of the surplus lines premium tax totaled \$73.63 M, with all proceeds accruing to the SGF. Applying the allocation methodology of the proposed legislation to 2019's total surplus lines tax revenues yields accruals to each fund in the following amounts: State General Fund retains \$63.32 M (\$73.63 M * 86%); Fire Marshal Fund receive an additional \$4.42 M (\$73.63 M * 6%); 2% Fire Insurance Fund receives an additional \$5.89 M (\$73.63 M * 8%). Thus, \$10.31 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 July 1, 2020, the 2020 premium year is affected with tax collections in the spring of 2021, and dedication of collections pursuant to this measure would first occur in FY 21.

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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