



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 566** HLS 21RS 434
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 23, 2021 11:51 AM **Author:** JORDAN
Dept./Agy.: Insurance and Public Safety, State Fire Marshal **Analyst:** Patrice Thomas
Subject: Reallocates Taxes Collected on Surplus Lines of Insurance

FUNDS/FUNDING OR SEE FISC NOTE GF RV Page 1 of 1
 Dedicates a portion of the taxes collected on certain surplus lines of insurance

Under present law, the Commissioner of Insurance collects a 4.85% tax on the gross premium for each surplus line of insurance issued when Louisiana is the home state of the policyholder and 100% of the proceeds collected are to be credited to the state general fund (SGF). Proposed law decreases the amount credited to SGF from 100% to 86%, and requires 6% to be credited to the Louisiana Fire Marshal Fund (R.S. 22:835) and 8% to be credited to the Two Percent Fire Insurance Fund (R.S. 22:347). Proposed law is effective 7/01/21.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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>	<u>\$0</u>
Annual Total						
REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	(\$11,712,869)	(\$11,712,869)	(\$11,712,869)	(\$11,712,869)	(\$11,712,869)	(\$58,564,345)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$11,712,869	\$11,712,869	\$11,712,869	\$11,712,869	\$11,712,869	\$58,564,345
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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law reallocates a percentage of taxes collected on surplus insurance lines into the statutorily dedicated LA Fire Marshal Fund and Two Percent Fire Insurance Fund. Proposed law will result in an increase of approximately \$5 M into the LA Fire Marshal Fund used by the Office of State Fire Marshal and an increase of approximately \$6.7 M into the Two Percent Fire Insurance Fund (through which excess monies are primarily allocated equally on a per capita basis to local governing authorities for regularly constituted and/or certified volunteer fire departments), while decreasing \$11.7 M credited to SGF and appropriated for other general purposes statewide.

REVENUE EXPLANATION

Proposed law will divert deposits of approximately \$11.7 M, collected as a percentage of taxes on surplus lines of insurance, from the SGF into statutorily dedicated funds. The proposed law does not change the 4.85% tax levied on certain surplus lines of insurance, but reallocates the percentage of how the tax is credited. Currently, 100% of the taxes collected on certain surplus lines of insurance are credited to the SGF. The proposed law reallocates the taxes collected as follows: 86% credited to the SGF, 6% credited to statutorily dedicated LA Fire Marshal Fund, and 8% credited to the statutorily dedicated Two Percent Fire Insurance Fund.

Actual revenue collected in FY 20 illustrates the anticipated, approximate allocation change to the SGF and statutory dedications under this measure. However, actual accruals to each fund are dependent upon the gross premiums in a given year. Since the bill would be effective July 1, 2021, the 2021 premium year is affected with tax collections in the spring of 2022, and dedication of collections pursuant to this measure would first occur in FY 22.

Illustrative Impact of Proposed Law
 Surplus Lines Taxes Collected
 FY 2020 Actual - \$83,663,349

	Present Law	Proposed Law	Difference
State General Fund	\$83,663,349 (100%)	\$71,950,480 (86%)	(\$11,712,869)
LA Fire Marshal Fund	\$0 (0%)	\$5,019,801 (6%)	\$5,019,801
Two Percent Fire Insurance Fund	<u>\$0</u> (0%)	<u>\$6,693,068</u> (8%)	<u>\$6,693,068</u>
Total	\$83,663,349	\$83,663,349	\$0

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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