

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



Fiscal Note On: **HB 513** HLS 23RS 842

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 7, 2023	9:18 AM	<b>Author:</b> MAGEE
<b>Dept./Agy.:</b> Revenue/Insurance		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Premium tax credit for retaliatory taxes paid		

**TAX CREDITS**

EN -\$9,000,000 GF RV See Note

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Establishes an insurance premium tax credit for retaliatory taxes paid by certain domestic insurers

Current law imposes a retaliatory tax on insurers doing business in this state and at least one other when insurance taxes, fines, penalties, licenses, deposits, or other obligations or prohibitions in other states in which an insurance company is authorized to write policies are higher than they are in Louisiana. The amount of the tax is the difference between the aggregate charges of each state. Likewise, a retaliatory tax is paid by the insurance company to other states if insurance taxes, fines, penalties, licenses, deposits, or other obligations or prohibitions are higher in other states in which a company is also licensed to write policies than they are in Louisiana. Retaliatory taxes accrue to the higher tax burden state. Assessments by insurance guaranty associations are not included in retaliatory taxation.

Proposed law authorizes a refundable, transferable (within a holding company) 100% premium tax credit for any retaliatory taxes paid to other states by insurance companies domiciled in Louisiana and authorized to write insurance (and do write at least one policy) in at least one other state as of July 1, 2023. The credit is capped at \$9 M per year with a 10-year carryforward for credits in excess of the cap. The credit is to be administered by the Department of Insurance and will first be available for taxes paid based on CY 2025 premiums. Effective upon signature for taxes incurred or paid from through December 31, 2029 .

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</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>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	(\$9,000,000)	(\$9,000,000)	(\$9,000,000)	(\$9,000,000)	<b>(\$36,000,000)</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>(\$9,000,000)</b>	<b>(\$9,000,000)</b>	<b>(\$9,000,000)</b>	<b>(\$9,000,000)</b>	<b>(\$36,000,000)</b>

**EXPENDITURE EXPLANATION**

Though there are about 75 domestic insurers in the state, only 21 currently write policies outside of the state and reportedly pay a retaliatory tax. It is not expected that more companies will qualify before 7/1/23, which is the deadline in the bill. The credit authorized in the bill would shift all retaliatory tax obligation from the insurance company to the state general fund. If the eligible companies expand their business to more states, the administration of the credit may require additional resources at the Department of Insurance, particularly when bundled with other session action.

**REVENUE EXPLANATION**

Though there are about 75 domestic insurers in the state, only 21 currently write policies outside of the state and report paying an estimated total retaliatory tax of \$8-10 M, per the Department of Insurance. The credit authorized in the bill would shift all retaliatory tax obligation from the insurance company to the state general fund through issuance of credits to be taken against premium tax obligations. The fiscal note assumes that taxes in other states remain similar to those in place at this time. If other relevant states raise their licensing or premium tax burdens or eligible domestic insurers expand to additional states, the state general fund obligation of the credit will extend further into the future through the 10 year carryforward.

It is not expected that more companies will qualify before 7/1/23, which is the deadline in the bill.

The refundability and transferability of the credit increases the likelihood that these credits will be taken in the year in which they first become available.

Senate  
 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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