LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 594** HLS 25RS 956
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 2, 2025 2:03 PM
Author: HENRY, CHANCE
Dept./Agy.: Insurance
Subject: Reduce premium tax rate and repeal credits
Analyst: Deborah Vivien

TAX/INSURANCE PREMIUM EG -$209,000,000 GF RV See Note

Establishes a flat rate of insurance premium tax and repeals certain insurance premium tax credits and exemptions

Current law levies a state excise tax on insurance premiums at a rate of $185 fixed on annual gross premium of $6,000 or less and roughly 3% on policies over $6,000. Current law authorizes credits against the premium tax including an investment credit for companies investing certain percentages of assets in the state, retaliatory tax credits that make up the difference between the higher LA rate and other states and, with no recent activity, CapCo credits among others.

Proposed law lowers the premium tax rate to a flat 1.6% of the gross annual premiums on property/casualty and life/accident/health lines and allows for a 0.2% reduction each year that actual premium tax collections (assumed net of credits and totaled across both lines) reach the level of calendar year 2024. Proposed law repeals the inactive CapCo credit and may limit eligibility for the investment tax credit. Proposed law retains current law with respect to local premium taxes and credits. Effective with tax year 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	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	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	**($209,000,000)**	**($167,000,000)**	**($167,000,000)**	**($167,000,000)**	**($167,000,000)**	**($877,000,000)**
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	**($209,000,000)**	**($167,000,000)**	**($167,000,000)**	**($167,000,000)**	**($167,000,000)**	**($877,000,000)**

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The premium tax is a percentage of prior year premiums paid on a calendar year basis with estimated prepayments due in April, July and October with a true-up the following March once prior year premiums are known. The fiscal note assumes the tax rate triggers are based on the cumulative amount of premium tax collected, net of credits, though the calculation is not clear in the bill.

According to the Department of Insurance, the tax year 2026 rate reduction to 1.6% as estimated by applying the rate to CY 2024 premiums of about $24 B would result in a reduction in premium taxes of approximately $274 M annually. This reduction is expected to be offset by a smaller investment credit due to lower premium tax liabilities (an adjustment not considered in the prior fiscal note) and other existing credits, including the retaliatory credit at $9 M, for a net annual reduction in SGF of about $167 M. However, in FY 26, quarterly prepayments based on the higher rate would be refunded at an estimated $42 M reduction in SGF. The net impact in the first year is an estimated SGF reduction of $209 M, with subsequent years estimated at about $167 M.

Impacts from changes to eligibility criteria for the investment credit from 75% of employees in state to 60% of employees and corporate officers combined in state cannot be quantified without additional detail regarding individual companies, thus the note includes no effect. To the extent credit claims are reduced due to this provision, SGF revenue will increase. The lowering of the premium tax rate may put Louisiana in a position to receive additional retaliatory taxes, though the tax rates that are lowered in the bill are added to other taxes and assessments when comparing rates between the states. With LA having the second highest premium tax rate in the US, it is not clear how the rates proposed in the bill combined with other assessments and taxes will compare to similar measures in other states (who may also be changing their rates). Like the investment credit changes, the note contains no additional retaliatory tax collections, both of which are incalculable to the degree of certainty needed for spending. The possibility of increased revenue due to lower investment credits or increased retaliatory taxes is not ruled out; it’s uncertainty dictates that it be added as revenue only in the event it is realized.

The rate reduction trigger in the bill appears unlikely to be effective as existing credits against the tax are slated to increase, including the LIGA assessment and New Market Tax Credits authorized in Act 433 of 23RS. Several bills proposed this session may also impact net premium tax collections should they become enacted, potentially moving collections even further away from the trigger threshold.

Medicaid MCO providers and local premium taxes and credits are not changed in the bill.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☒ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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