

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 374** HLS 13RS 676
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 16, 2013 5:00 PM	Author: STOKES
Dept./Agy.: Insurance	Analyst: Greg Albrecht
Subject: Premium Tax Payment Timing	

INSURERS/TAXES OR -\$46,000,000 GF RV See Note Page 1 of 1
 Provides relative to timing of payment of insurance premium taxes to the commissioner of insurance

Current law provides that premium tax payments be made quarterly based on one-quarter of the prior year's tax liability. Then those payments are reconciled with the actual liability midway through the calendar year following the premium tax year.

Proposed law provides that for certain lines of insurance (fire casualty & misc. and life, accident & health) the payments for insurers whose net tax liability is less than \$1 million in an tax year are to be made on an annual basis; by March first of the previous calendar year.

Effective upon governor's signature.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

The shifting of some insurer's tax payments to an annual basis should reduce processing workload in the Insurance Department to some degree. There may be a hundred or more insurers affected by the bill who move from quarterly filing with an annual reconciliation to only a single annual filing.

REVENUE EXPLANATION

The bill shifts the timing of certain quarterly payments, but does not change the basis of liability or taxation. Thus, ultimately the same amount tax is expected to be collected. However, the premium tax year is a calendar year while the state budget is July - June fiscal year. Thus, depending on the actual effective date of the bill (upon governor's signature) two different but significant revenue amounts would be shifted out of particular fiscal years. The base of affected premium tax affected by the bill is estimated by the Insurance Dept at approximately \$23 million per quarter (approximately 1/3 of total quarterly payments, resulting from insurers with less than \$1 million of liability in the affected lines of coverage).

If the effective date occurs August 1, the effect of the bill is to shift two quarterly payments out of FY14 and into FY15. The revenue loss to FY14 would be about \$46 million. These payments would be gains to FY15, but would be offset by a comparable shift of two quarters out of FY15 and into FY16, with this pattern repeating in all subsequent fiscal years. In affect, a one time loss of \$46 million occurs in FY14.

If the effective date occurs by July 1, the effect of the bill is to shift the quarterly payment posted to June out of FY13 and into FY14. The revenue loss to FY1 would be about \$23 million. This payment would be a gain to FY14, but would be offset by a shift of two quarters out of FY14 and into FY15, with this two quarter pattern then repeating in all subsequent fiscal years. In affect, a one time loss of \$23 million occurs in FY13, and a one time loss of \$23 million occurs in FY14.

In both cases, relatively small revenue losses continue to occur in years beyond FY15 as the shifting occurs if there is any growth to premium tax payments/collections.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

John D. Carpenter
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Legislative Fiscal Officer