

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



Fiscal Note On: **HB 259** HLS 15RS 857

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action: **w/ SEN COMM AMD**

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 6, 2015	10:14 AM	<b>Author:</b> THIERRY
<b>Dept./Agy.:</b> Louisiana Department of Insurance		
<b>Subject:</b> Levies a tax on annual gross premiums for surplus lines		<b>Analyst:</b> Alan M. Boxberger

TAX/INSURANCE PREMIUM EG1 SEE FISC NOTE GF RV See Note  
Levies a tax on the annual gross premiums for surplus lines of insurance

Present law authorizes levy of a 5% tax per annum on the premiums on surplus lines insurance reported quarterly in the surplus lines tax report; requires that the tax be collected by the commissioner of insurance and deposited into the SGF; provides for the manner and format of the quarterly surplus lines tax report; requires the commissioner of insurance to join the Nonadmitted Insurance Multi-State Agreement (NIMSA); and provides that a portion of surplus lines premiums not allocable to this state shall not be subject to tax by the state. Proposed law reduces the rate from 5% per annum on the premiums of surplus line of insurance to 4.85% and transfers the tax onto gross premiums on surplus lines of insurance for which La. is the home state of the policyholder; provides for certain exemptions; requires surplus line brokers to file only in quarters in which they place single-state surplus lines business and requires an annual report; repeals requirement regarding NIMSA; exempts certain educational programs; and provides that the entire surplus lines premium of a surplus lines policy of which La. is the home state of the policyholder shall be subject to the surplus lines tax. Effective October 1, 2015.

<b>EXPENDITURES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	UNKNOWN	
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>REVENUES</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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>						

**EXPENDITURE EXPLANATION**

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

**REVENUE EXPLANATION**

The bill appears to have a revenue neutral impact. According to the Department of Insurance, the surplus lines tax reduction from 5% to 4.85% results in a premium tax revenue loss of approximately \$2M per year. Offsetting this tax rate reduction is an expansion of the tax base to include out-of-state premiums where Louisiana is the home state of the policyholder, generating approximately \$2M per year of additional premium tax revenue.

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|---|----------------------------|--------------|--|
| <u>Senate</u>   | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       |                            |              | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S}                 |
| <input 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} |

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