LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 259** HLS 15RS 857
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: June 15, 2015 10:01 AM
Author: THIERRY
Dept./Agy.: Louisiana Department of Insurance
Subject: Levies a tax on annual gross premiums for surplus lines
Analyst: Alan M. Boxberger

TAX/INSURANCE PREMIUM EN DECREASE 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; provides for certain, specified exemptions; 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.

EXPENDITURES	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**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	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**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	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

According to the Department of Insurance (LDI), the surplus lines tax reduction from 5% to 4.85% would result in a premium tax revenue loss of approximately $2M per year.

Proposed law partially offsets this tax rate reduction by expanding of the tax base to include out-of-state premiums where Louisiana is the home state of the policyholder at the same 4.85% premium tax. The expansion of the tax base would generate approximately $2M per year of additional premium tax revenues except that given the exclusion of certain municipalities as per the Senate Floor amendment discussed below, the revenue gain will likely be an indeterminable total less than $2M. To the extent that qualifying political subdivisions purchase any out of state surplus lines insurance for qualifying purposes, proposed law is likely to result in an indeterminable net decrease in SGF revenues.

The tax proposed pursuant to this section shall not apply to the purchase of insurance by political subdivisions having a population of not less than three hundred fifty thousand persons according to the last decennial census for coverage of owned automobiles or other immovable property, or for liability for premises or operations, or for other miscellaneous exposure for which the respective political subdivision is responsible. According to the 2010 Census, East Baton Rouge and Jefferson Parishes exceed the population threshold of 350,000 persons (Orleans Parish exceeded the threshold as of the 2012 census update). LDI reports this provision will likely result in a net reduction of SGF revenues by an indeterminable amount.

Senate — Dual Referral Rules — House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 Rev. Red. to State {H & S}

☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director