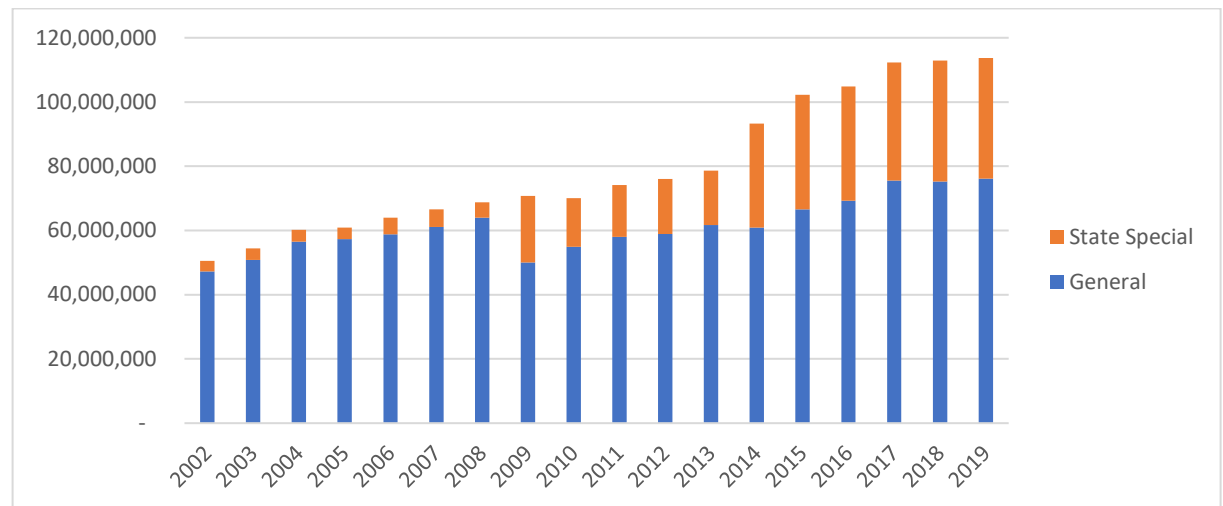


# HJ 35: INSURANCE TAX

GENERAL FUND RANK: #5

## REVENUE COLLECTION HISTORY



## INSURANCE TAX OVERVIEW

- Tax on net insurance premiums, including surplus lines insurance: 2.75%
  - Tax on net premiums for legal professional liability insurance: 0.75%
  - Distribution: 67% to General Fund, 33% to Healthy Montana Kids expanded enrollment
- Fire insurance premium tax: 2.5%
  - Deposited in General Fund, 5% annually transferred to pension trust fund
- Captive insurance tax and reinsurance tax, min. tax \$5,000/max. tax \$100,000:
  - Direct premiums: 0.4% on first \$20 million, 0.3% above \$20 million
  - Reinsurance premiums: 0.225% first \$20 million, 0.15% next \$20 million, 0.05% \$40 million+
  - Distributed: 95% to General Fund, 5% to Captive Insurance account
- Effective July 1, 2019: Tax of 1% of premiums of health service corporations (not subject to 2.75% premium tax); deposited in Montana HELP Act special revenue account
  - Annual license fee of \$1,900 per insurer to conduct business in Montana, various additional fees, deposited in State Auditor administration account
  - Surplus lines stamping fee of up to 1% of premium, set by Commissioner commensurate with expenses of regulating surplus lines (currently 0.25% for paper submissions), deposited in account for regulating surplus lines

## DISTRIBUTION OF INSURANCE TAX REVENUE

Type of Insurance	Account	Amount
Fire	General Fund	100% (5% annually transferred to pension trust fund)
Captive insurance and reinsurance	General Fund	95%
	Captive Insurance account	5%
Health Service Corporations	HELP Act account	100%
License and other fees	State Auditor account	100%
Surplus lines stamping fee	Surplus Lines Regulation account	100%
All others	General Fund	67%
	Healthy Montana Kids expanded enrollment	33%

## MAJOR LEGISLATIVE ACTIONS, 2001-2019

Year	Bill	Description	Estimated General Fund Impact*
2001	<a href="#"><u>SB 373</u></a>	Allows captive insurance companies, provides for a tax on direct premiums and a reinsurance tax, minimum \$5,000 tax	\$10,000
2005	<a href="#"><u>SB 134</u></a>	\$100,000 maximum aggregate tax for a captive insurance company	\$0
2007	<a href="#"><u>SB 161</u></a>	Distributes 5% of captive insurance tax and reinsurance tax to captive insurance regulatory and supervision special revenue account	(\$8,000)
2008	<a href="#"><u>I-155</u></a>	Expands eligibility for Healthy Montana Kids, distributes 33% of insurance premium tax to special revenue account for expanded eligibility	(\$14,622,000)**
2009	<a href="#"><u>HB 160</u></a>	Revises tax rate on captive insurance direct premiums; prorates captive insurance minimum tax in first year of licensure	(\$7,500)
2009	<a href="#"><u>HB 676</u></a>	Reduces distribution of insurance premium tax for Healthy Montana Kids expanded eligibility to 16.67% from July 1, 2009 – June 30, 2013	\$9,661,000**
2015	<a href="#"><u>SB 52</u></a>	Prorates captive insurance minimum tax in year company closes, revises entities included for purpose of maximum aggregate tax	\$40,375
2015	<a href="#"><u>SB 234</u></a>	Reduces insurance tax on legal professional liability insurance to 0.75%	(\$85,760)
2017	<a href="#"><u>SB 245</u></a>	Allows dormancy for captive insurer, levies \$1,000 annual dormancy tax	(\$2,850)
2019	<a href="#"><u>HB 658</u></a>	Provides for 1% tax on premiums for insurance from a health service corporation; deposited in Montana HELP Act special revenue account	\$4,340,000

\*General Fund fiscal impact is from fiscal note and is for first year in which legislation is fully implemented.

\*\*Provided by Legislative Fiscal Division

## COMPARISON TO OTHER STATES

### Insurance Information Institute

- [Premium Taxes by State, 2018](#); [Number of Captives by State, 2017-2018](#)