

FISCAL NOTE

Bill #: SB0039

Title: Clarify taxation of insurance corporation taxable investment income

Primary

Sponsor: Jim Elliott

Status: As Introduced

Sponsor signature	Date	Budget Director	Date
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Fiscal Summary

	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
Expenditures:		
General Fund	0	0
Revenue:		
General Fund	\$2,942,000	\$3,010,000
Net Impact on General Fund Balance:	\$2,942,000	\$3,010,000

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

Fiscal Analysis

ASSUMPTIONS:

1. This bill will make investment income of insurance companies subject to the corporation license tax at a rate of 6.75%.
2. US investment income of insurance companies doing business in Montana was \$171 billion in 1999. (National Association of Insurance Commissioners)
3. For the corporation license tax, taxable income of insurance companies will be 25% of investment income. (Department of Revenue assumption)
4. For insurance companies doing business in Montana, premiums paid in Montana were 0.57 % of premiums paid nationwide in 1999. (National Association of Insurance Commissioners)

(continued)

Consequently, the sales factor for apportionment of insurance companies' investment income to Montana will be 0.57% on average.

5. The property factor and payroll factors for apportionment of insurance companies' investment income to Montana will both be 0.00%.
6. Investment income of insurance companies will grow at 2.3% per year. This is the average annual growth rate of premium income from 1993 to 2000.
7. Compliance in the first two years will be 50%. (Department of Revenue assumption)
8. This bill will have no administrative impacts.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$2,942,000	\$3,010,000
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$2,942,000	\$3,010,000
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		

