

## **Insurance Premiums Tax (33-2-705, MCA)**

### **1. Model Characteristics**

- Tax revenue from insurance premiums tax is estimated using a regression model of time, Standard and Poor's (S&P 500) index of common stocks, Montana gross state product, and indicators to account for policy changes.

### **2. Model Data**

- IHS Economics provides the S&P 500 index and forecast.
- Historical insurance premium tax revenue is from the Statewide Accounting and Human Resources System (SABHRS).

### **3. Key Variables**

- S&P 500.
- SABHRS Collections.

### **4. Other Important Points**

- Increased enrollment in the online marketplace may impact revenue collections.
- In August 2013, Health Care Services Corporation (HCSC) purchased Blue Cross Blue Shield of Montana (BCBS). As a result of the merger, premiums paid to BCBS are now taxable. As BCBS market share changes, so will taxable insurance premium.
- Increases in employment would likely expand the pool of individuals who would be willing and able to purchase insurance.
- Beginning January 1, 2014, the individual mandate of the Affordable Care Act (ACA) became effective. As not all insurance plans are currently taxable, any changes in the tax liability of individual health plans available on the healthcare exchange will have an impact on tax collections.
- Revenues may be reduced if consumers choose insurance coverage provided by non-taxable or public plans.
- Premium tax collections tend to move counter cyclically with financial markets as companies collect premiums from policy holders and pay claims from premiums and investment earnings. When investment earnings are high, insurance companies can reduce (or reduce the growth of) premiums charged to clients.