

Insurance Tax & License Fees

Revenue Description

An insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Various insurance and license fees are also collected.

Statutory Reference

Tax Rate – [33-2-705\(2\), MCA](#); [33-2-311, MCA](#); [33-28-201\(1&2\), MCA](#); [50-3-109\(1\), MCA](#)

Fee Rate – Many of the fees are contained in [33-2-708\(1&2\), MCA](#); all other fees are listed in various chapters of [Title 33, MCA](#)

Tax Distribution – [33-2-708\(3\), MCA](#); [33-2-712, MCA](#); [50-3-109\(1\), MCA](#); [33-28-120, MCA](#)

Date Due – March 1st each year ([33-2-705\(1\), MCA](#); [33-2-712, MCA](#); [33-28-201\(1&2\), MCA](#)).

Quarterly payments due the 15th of April, June, September and December (Administrative Rules [6.6.2704](#) and [6.6.2705](#))

Applicable Tax Rates

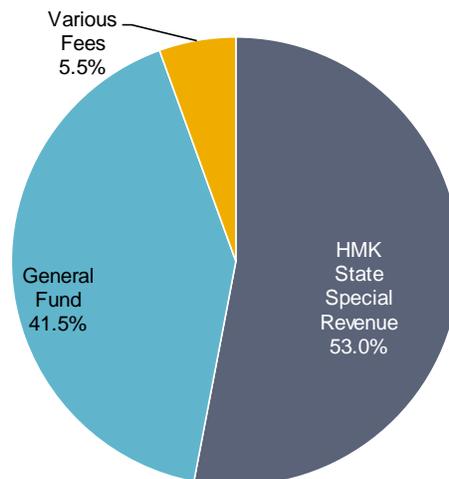
- 2.75% of net premiums on policies sold in Montana
- An additional 2.5 % tax on the fire portion of net premiums for selected risks
- 0.4% on the first \$20 million of net direct premiums and 0.3% on each subsequent dollar collected by captive insurance companies

Collection Frequency: Quarterly and annually

Distribution

Insurance tax and license fee revenue is distributed primarily between the general fund (2/3) and the Healthy Montana Kids state special revenue fund (1/3). Exceptions include fire insurance premiums which are deposited fully to the general fund, captive insurance company premiums which are deposited 95% to the general fund and 5% (along with any fees and assessments to captive companies) to a fund for administration of such companies, the genetics fee which is deposited into a state special fund for genetic testing, and the remaining fees which are deposited in a state special fund for use by the State Auditor.

The following chart shows the high level FY 2014 distribution of insurance tax and license fee revenue.



Comparison of Legislative and Executive Forecasts

There are no material differences between the legislative and executive branch forecasts.

Insurance Tax (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$62.990	\$64.880	\$67.500	\$195.370
Legislative Forecast	63.928	65.357	66.102	195.387
Difference	(\$0.938)	(\$0.477)	\$1.398	(\$0.017)
% Difference	-1.5%	-0.7%	2.1%	0.0%

Forecast Risks

- Changes in the S&P 500 forecast
- Changes in Long-term interest
- Changes in Montana housing sales

Revenue Estimate Methodology

Data

The insurance tax and license fee estimate is based on data obtained from SABHRS, the State Auditor’s Office (SAO) and IHS. Fiscal year collections come from SABHRS; detailed historical data and future estimates for offsets and refunds are from the SAO; forecasts for independent economic variables are produced by IHS.

Analysis

Total taxes and fees are calculated by summing the forecasts for premium taxes and all other fees as estimated individually. Premium taxes are forecast with a regression model using the independent, IHS-provided values for long-term interest rates, Montana housing starts, and the S&P 500 index, as well as a linear time trend. Additionally, the model employs the previous year’s premium tax as an auto-regressive component.

Estimates for the various fees are made based on measures of annual growth.

Estimates for offsets and refunds from the SAO are subtracted from the sum of these two components to produce the amount of net premium taxes expected to be received by the state.

Revenue Estimate Assumptions

	Total Revenue	GF Tax	Fees, Offsets & Refunds	Long-Term Interest	MT Housing Sales	SP 500
FY	\$ Millions	\$ Millions	\$ Millions	Rate	Thousands	Index
A 2002	\$50.809	\$47.291	\$7.092	6.2%	20.200	1,115
A 2003	54.646	50.810	7.184	5.7%	24.100	895
A 2004	61.038	56.533	6.418	5.4%	23.800	1,078
A 2005	61.782	57.308	7.395	5.2%	24.800	1,160
A 2006	64.412	58.795	7.055	5.2%	26.600	1,255
A 2007	66.321	61.074	7.079	5.4%	24.460	1,400
A 2008	69.258	64.004	8.350	5.3%	18.980	1,427
A 2009	71.105	50.038	7.652	5.1%	15.769	966
A 2010	69.851	54.892	6.866	4.8%	19.679	1,086
A 2011	73.825	57.964	7.361	4.4%	16.586	1,231
A 2012	75.012	58.951	8.442	3.8%	18.380	1,288
A 2013	78.390	61.678	7.294	3.6%	20.989	1,486
A 2014	93.052	60.873	6.520	3.8%	20.714	1,795
F 2015	97.722	63.928	6.270	4.0%	21.459	2,028
F 2016	99.907	65.357	6.270	4.5%	22.839	2,131
F 2017	101.046	66.102	6.270	5.1%	22.937	2,208

