

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](#))

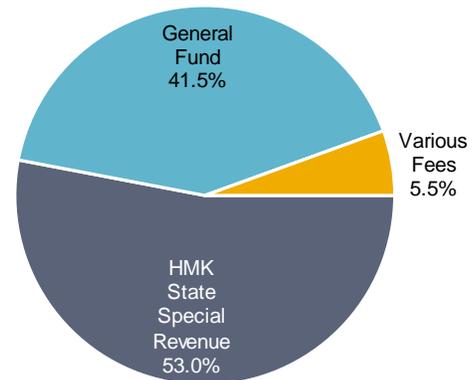
Applicable Tax Rates

- o 2.75% of net premiums on policies sold in Montana
- o An additional 2.5 % tax on the fire portion of net premiums for selected risks
- o 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 pie chart shows the high level FY 2014 distribution of insurance tax and license fee revenue.

Summary of Legislative Action

[Senate Bill 52](#) – This bill revises and clarifies captive insurance laws, provides a penalty for failure to file annual statements, and prorates distribution of taxes in the year of closure.

[Senate Bill 234](#) – This legislation reduces premium tax rates and filing fees for casualty insurers that offer policies of legal professional liability insurance. It is retroactive to December 31, 2014 and therefore impacts FY 2015 revenues.

Insurance Tax & License Fees – Legislation Passed by 64th Legislature			
General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2015	FY 2016	FY 2017
SB0052 Revise captive insurance laws	-	\$0.040	\$0.040
SB0234 Revise tax and fees for professional liability insurance	(\$0.043)	(0.086)	(0.086)
Total General Fund Impact	(\$0.043)	(\$0.045)	(\$0.045)

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.

Due to current increases associated with health insurance and the Affordable Care Act (ACA) and outside of any historical trends, there were manual adjustments made to premium tax collections. At the time of the estimate, there had been approximately 56,000 new health insurance premiums purchased. This number was multiplied by the average price of a premium in FY 2014 and the value was added to the premium total. This amount was prorated for six months in the updated FY 2015 estimate and for a full twelve months in each year of the biennium. These values should be slightly conservative as the premium costs are seeing slight increases, and it is likely that there will continue to be new health insurance enrollees as penalties for non-participation increase.

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

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2015 Legislature.

FY	Total Revenue \$ Millions	GF Tax \$ Millions	Fees, Offsets & Refunds \$ Millions	Long-Term Interest Rate	MT Housing Sales Thousands	SP 500 Index
A 2002	\$50.809	\$47.291	\$6.385	6.2%	20.200	1,115
A 2003	54.646	50.810	6.898	5.7%	24.100	895
A 2004	61.038	56.533	70.681	5.4%	23.800	1,078
A 2005	61.782	57.308	74.051	5.2%	24.800	1,160
A 2006	64.412	58.795	76.967	5.2%	26.600	1,255
A 2007	66.321	61.074	79.740	5.4%	24.460	1,400
A 2008	69.258	64.004	81.086	5.3%	18.980	1,427
A 2009	71.105	50.038	79.697	5.1%	15.769	966
A 2010	69.851	54.892	83.559	4.8%	19.679	1,086
A 2011	73.825	57.964	86.560	4.4%	16.586	1,231
A 2012	75.012	58.951	91.543	3.8%	18.369	1,288
A 2013	78.390	61.678	95.221	3.6%	20.944	1,486
A 2014	93.052	60.873	6.320	3.8%	20.696	1,795
F 2015	103.622	67.787	6.070	3.6%	21.309	2,045
F 2016	110.558	72.325	6.108	3.9%	22.182	2,170
F 2017	114.460	74.877	6.108	4.7%	22.495	2,248

