

Possible Meth Program Funding

Dave Hunter - State Auditor's Office – 3152
(see also - John Huth)

- A 10 cent fee on property and casualty policies is not realistic. It would cost more to administer than it would bring in. No numbers, but the fiscal note would kill the bill.

There used to be many fees charged to the insurance industry. (Still are – see **33-2-708, MCA. Fees and licenses.**) The Insurance Commissioner's office found that it was costing the state \$10 to process a \$10 fee. In 1999, the legislature consolidated the fees in favor of a one fee charge. Dave said it's set by rule to cover the costs of the program.

- Fees charged against the insurance companies bring in about \$3.8 million per year for the administration of the state's insurance program.
- There is a 2 3/4 % premium tax on all premiums. Most states assess a tax. A few charge slightly less. (2003 revenue estimate figures)
 - Actual FY 2002 = \$47.7 million to general fund (this is about 3.74% of the General Fund.)
 - Est FY 2005 = \$59.2 million to general fund

To raise this even 0.01% from 2.75% to 2.76% would bring in approximately \$173,500 per year but would also mean that "Montana has the highest insurance premium tax in the nation."

- A \$0.70 cent fee on health insurance policies is earmarked for the genetics program (50-19-211).
 - Actual FY 2002 = \$569,711
 - Est. FY 2005 = \$575,000

50-19-211. Voluntary genetics program established. A voluntary statewide genetics program is established in the department to offer testing, counseling, and education to parents and prospective parents. The program includes, but is not limited to, the following services:
(1) followup programs for newborn testing, with emphasis on the counseling and education of women at risk for maternal phenylketonuria;
(2) comprehensive genetic services to all areas of the state and all segments of the population;
(3) development of counseling and testing programs for the diagnosis and management of genetic conditions and metabolic disorders; and
(4) development and expansion of educational programs for physicians, allied health professionals, and the public with respect to:
(a) the nature of genetic processes;
(b) the inheritance patterns of genetic conditions; and
(c) the means, methods, and facilities available to diagnose, counsel, and treat genetic conditions and metabolic disorders.

Use the income tax – Rental income is reported on federal Schedule E. Montana rental taxation is tied directly to the federal tax system and forms. Montana simply asks that the federal forms be attached. The Montana tax form would need to be amended to add a "surcharge of X% of the amount reported as real estate rental on line ABC" or "if any amount is reported (as real estate rental income on line ABC) then add a flat rate of ___ on line Y to be taxed as income on line end of form. So a certain percentage of the amount reported would go to the general fund.

Terry Johnson- LFD

- The insurance tax rate is the way to go.

It assesses against a large number of properties.
 Taxing rental income includes more than just real estate rent?

Miscellaneous information.

Fire tax in 50-3-109 is a tax on fire insurance that goes to the general fund to pay for a portion of police and fireman retirement, to fund what's left of the DoJ fire marshal bureau and leaves the rest to the general fund. The police and firemen are very defensive of "their" money collected on fire insurance policies. See Sherry Heffelfinger's Nov 2002 report on these funds.

- The tax is 2.5% of the amount of the tax raised from taxes on fire risks. It produced an additional \$2.3 million in FY 2002. 2.5% on \$95 million which was the fire portion of the policies written by insurers of the risks enumerated in section 50-3-109(2), MCA, traditionally called the fire marshal's tax.

50-3-109. Tax on fire insurance premiums. (1) Each insurer authorized to effect insurance on risks enumerated in subsection (2) that is doing business in this state shall pay to the state auditor during the month of February or March in each year, in addition to the taxes on premiums required by law to be paid by it, taxes on the fire portion of the direct premiums on the enumerated risks received during the previous calendar year after deducting cancellations and return premiums. A tax of 2 1/2% must be deposited in the general fund as provided in 33-2-708.

(2) The risks referred to in subsection (1) are:

- (a) insurance of houses, buildings, and all other kinds of property against loss or damage by fire or other casualty;
- (b) all kinds of insurance on goods, merchandise, or other property in the course of transportation, whether by land, water, or air;
- (c) insurance against loss or damage to motor vehicles resulting from accident, collision, or marine and inland navigation and transportation perils;
- (d) insurance of growing crops against loss or damage resulting from hail or the elements;
- (e) insurance against loss or damage by water to any goods or premises arising from the breakage or leakage of sprinklers, pumps, or other apparatus;
- (f) insurance against loss or legal liability for loss because of damage to property caused by the use of teams or vehicles, whether by accident or collision or by explosion of any engine, tank, boiler, pipe, or tire of any vehicle; and
- (g) insurance against theft of the whole or any part of a vehicle.

	Amount of Premiums Written	Section 50-3-2708 2.75% tax on direct premiums	Section 50-3-109 2.5% additional tax on fire portion of premiums
	\$1.6 billion	\$44 million (2.75% of \$1.6 billion)	
	\$825 (part of the above \$1.6 billion)	\$22.7 million (part of the \$44 million above or 2.75% of \$825 million)	
	\$95 million (part of the \$825 million above)		\$2.3 million (2.5% of \$95 million) this is in addition to the \$44 million

Figures based on revenues from FY 2002: source, Understanding the Insurance Premium Tax as a Funding Source for Police and Fire Pension Plans, Sheri Heffelfinger, Nov. 2002, LSD report for the State Administration and Veteran's Affairs Interim Committee.

- 33-2-311 Tax on surplus lines of insurance
- 33-2-705 Tax on insurance -- 2.75%
- 50-3-109 Tax on fire insurance policies
- 33-2-708 Fees on insurance companies
- 33-28-201 Tax on policies written by captive insurance companies

State Auditor makes annual payments from the state general fund to the following pension and disability trust funds. The funds derive (historically and now arguably) from insurance taxes and fees.

- Title 19 – retirement programs receiving insurance tax money
 - 19-9-702 MPORS Municipal Police Officer's Retirement System
 - 19-13-604 FURS Firefighter's Unified Retirement System
 - 19-17-301 VFCA Volunteer Firefighter's Compensation Act
 - 19-18-512 local fire department relief association
 - 19-19-305 municipalities with police department trust funds
 - 19-19-506 local police pension funds for a supplemental benefit.

Disposition of property seized in drug crimes

44-12-206. Disposition of proceeds of sale. (1) Whenever property is seized, forfeited, and sold under the provisions of this chapter, the net proceeds of the sale must be distributed as follows:

- (a) to the holders of security interests who have presented proper proof of their claims, if any, up to the amount of their interests in the property;
 - (b) the remainder, if any, to the county treasurer of the county in which the property was seized, who shall establish and maintain a drug forfeiture account and deposit the remainder into the account, except as provided in subsections (1)(c) through (1)(e);
 - (c) if the property was seized within the corporate limits of a city or town by a law enforcement agency of that city or town, the remainder, if any, to the city or town treasurer, who shall establish and maintain a drug forfeiture account and deposit the remainder into the account, except as provided in subsections (1)(d) and (1)(e);
 - (d) if the property was seized by an employee of the state, the remainder, if any, is allocated as provided in subsection (3), except as provided in subsection (1)(e); and
 - (e) if the property was seized as a result of the efforts of more than one law enforcement agency, the remainder, if any, to the accounts required by this subsection (1), pro rata in the proportions represented by the agencies' expenses of investigation, as determined by the attorney general.
- (2) All proceeds from any source that are deposited into a county, city, or town drug forfeiture account must in each fiscal year be appropriated to and remain available until expended by the confiscating agency for drug laws enforcement and education concerning drugs.
- (3) (a) Each year, the first \$125,000 of net proceeds received by the state under subsections (1)(d) and (1)(e) must be deposited in an account in the state special revenue fund to the credit of the department of justice. The department may expend the money in the account only for purposes of enforcement of drug laws. An amount up to \$125,000 each year is statutorily appropriated, as provided in 17-7-502, to the attorney general for enforcement of drug laws. Any expenditure in excess of \$125,000 each fiscal year requires approval through budget amendment, as provided in Title 17, chapter 7, part 4.
- (b) Each year, net proceeds in excess of \$125,000 that are received by the state under subsections (1)(d) and (1)(e) must be deposited equally between the state special revenue account and the general fund.