

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4630-02  
Bill No.: SCS for SB 996  
Subject: Insurance - Medical  
Type: Original  
Date: February 29, 2008

---

Bill Summary: Allows certain health insurance pool members to transfer any current or unused accumulated credits or offsets to their affiliates.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown up to \$12,223,493)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown up to \$12,223,493)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

---

## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Revenue** assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP.

The amount of credits is not increased. However, allowing them to be transferred to an affiliate could result in an increased redemption rate which could decrease general and total state revenue because these credits have historically not been taken. The BAP defers to the Department of Insurance, Financial Institutions and Professional Registration for an estimate of the actual amount.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal for Administrative Rules is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state at the current time, from 2003 and forward, there are \$9,236,419 unused health insurance pool credits issued to HMOs and \$2,987,074 unused health insurance pool credits issued to other pool members that could be transferred to an affiliate to take against sales and use tax due or payable. It is unknown how many insurance companies will choose to participate in this transfer and take advantage of the tax credits. The DIFP is showing no fiscal impact due to sales and use tax being collected and administered by the Department of Revenue.

**Oversight** spoke with Department of Revenue (DOR) officials in an attempt to determine the sales and use tax paid by health insurance pool affiliates. The DOR officials stated they were not able to determine the amount of sales and use tax paid by these affiliates. Therefore, for fiscal note purposes, **Oversight** assumes the maximum credits available to offset against affiliate sales and use tax for FY 09 is \$12,223,493 (\$9,236,419 + \$2,987,074). Subsequent years' fiscal impact is unknown because it is unknown if/when the existing credits will be taken and unknown as to credits that may accumulate by pool members that may subsequently be transferred to affiliates for use against sales and use taxes.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE</b>			
<u>Loss - Increase in redemption of tax credits by pool insurer affiliates</u>	<u>(Unknown up to \$12,223,493)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Unknown up to \$12,223,493)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

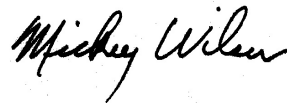
This proposal allows health insurance pool members (those not subject to the premium tax assessed under Chapter 148) to transfer any current or unused accumulated credits or offsets to their affiliates. The proposal limits the use of the offset by an affiliate in that the transferred offset may only be carried forward against sales or use taxes for a period of 5 years.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

L.R. No. 4630-02  
Bill No. SCS for SB 996  
Page 5 of 5  
February 29, 2008

SOURCES OF INFORMATION

Office of Administration -  
    Division of Budget and Planning  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Revenue  
Office of Secretary of State



Mickey Wilson, CPA  
Director  
February 29, 2008