



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0060: Revise insurance premium taxes for certain captive insurers

Primary Sponsor: Mark Noland Status: As Introduced

Included in the Executive Budget Needs to be included in HB 2 Significant Local Gov Impact

Significant Long-Term Impacts Technical Concerns Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$253,280	\$345,480	\$405,680
Net Impact	<u>\$0</u>	<u>\$253,280</u>	<u>\$345,480</u>	<u>\$405,680</u>
General Fund Balance				

Description of fiscal impact

SB 60 removes the \$100,000 cap on premium tax for series limited liability company captive insurers for tax years beginning after December 31, 2025. The removal of the cap will generate general fund revenue.

FISCAL ANALYSIS

Assumptions

State Auditor's Office

1. There is currently one Series Limited Liability Company (Series LLC) captive insurer that is domiciled in the State of Montana whose total premium tax has been capped at the \$100,000 limit since the 2022 tax year.
2. While Montana is domicile to multiple Series LLCs, no other Series LLCs are expected to breach the \$100,000 cap for the 2026 - 2028 premium tax years.
3. The applicable Series LLC captive insurer had 56 series business units in 2022, with a total premium tax calculation of \$114,536.22. The number of series business units for this insurer grew to 81 with an aggregate premium tax of \$178,850.86 in 2023. This insurer will end 2024 with 110 series business units with a larger aggregate premium tax that will be capped at \$100,000.
4. SB 60 applies to tax years beginning after December 31, 2025. Premium tax is assessed on a calendar year basis and is due on March 1 of the following year. Therefore, there would be no fiscal impact in FY 2026.
5. The single Series LLC captive insurance program is experiencing year-over-year growth. This growth is expected to continue as it is aligned with the multi-family residential rental market.
6. The program was initially licensed in 2015, with this growth pattern beginning in 2022. The average growth for the years 2022-2024 is 25 units per year.

7. Premium per business unit is variable based on the number of rental units in each series business unit. The average premium tax per series business unit in tax year 2023 was \$2,208. The average premium tax per series business unit is estimated to be \$2,208 for tax year 2026. The premium tax has increased an average of \$200 over the last four-year period. The average premium tax per series business unit for tax years 2027 - 2029 is estimated to be \$2,408.
8. The estimated premium tax collections for FY 2026 - 2029 are shown in the table below:

Premium Tax Year	2024	2025	2026	2027	2028
Fiscal Year Revenue			2027	2028	2029
Series Business Units (Increase 25 per year)	110	135	160	185	210
Premium Tax per Unit			2,208	2,408	2,408
Total Premium Tax			353,280	445,480	505,680
Premium Tax Cap			(100,000)	(100,000)	(100,000)
Additional Premium Tax Collections			<u>253,280</u>	<u>345,480</u>	<u>405,680</u>

9. The premium taxes collected are deposited into the state special revenue fund for the captive insurance program. The purpose of the fund is to provide the financial means for the commissioner to administer the captive insurance program. As required by 33-28-120(5), MCA, the State Auditor's Office (SAO) transfers the balance in this fund at the end of each fiscal year to the general fund. The SAO estimates the additional premium tax revenues collected from the passage of SB 60 would be swept to the general fund.

Fiscal Analysis Table

State Auditor's Office				
	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
<u>Funding of Expenditures</u>				
<u>Revenues</u>				
General Fund (01)	\$0	\$253,280	\$345,480	\$405,680
TOTAL Revenues	<u>\$0</u>	<u>\$253,280</u>	<u>\$345,480</u>	<u>\$405,680</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	<u>\$0</u>	<u>\$253,280</u>	<u>\$345,480</u>	<u>\$405,680</u>

NO SPONSOR SIGNATURE

_____ 1/10/25 _____ 1/7/2025
 Sponsor's Initials Date Budget Director's Initials Date