

MINNESOTA • REVENUE

GROSS PREMIUM TAX

Tax Stop-Loss Insurance

April 15, 2004

Department of Revenue
Analysis of H.F. 3176 (Abrams), **Preliminary Analysis**

	Yes	No
Separate Official Fiscal Note Requested		
Fiscal Impact		
DOR Administrative Costs/Savings		

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	0	\$3,500	\$5,100	\$6,600
Health Care Access Fund	0	<u>\$2,000</u>	<u>\$2,800</u>	<u>\$3,700</u>
Total All Funds	0	\$5,500	\$7,900	\$10,300

Effective for premiums received after June 30, 2004.

EXPLANATION OF THE BILL

Current Law: The Minnesota Supreme Court ruled on June 12, 2003, in *BCBSM Inc. vs. Commissioner of Revenue*, (the Blue Cross decision), that stop-loss insurance purchased by employers who self-fund health care coverage for their employees is not subject to the gross premium tax.

Proposed Law: Stop-loss insurance purchased by employers who self-fund health care coverage for their employees would be subject to the gross premium tax. The proposal covers would apply to insurance companies subject to the 2% gross premium tax and to nonprofit health service corporations and health maintenance organizations subject to 1% gross premium tax.

REVENUE ANALYSIS DETAIL

- Tax claims information from the Blue Cross decision and information from insurance company annual statements were used to estimate stop-loss premiums in calendar year 2003.
- According to insurance industry experts, stop-loss premiums are expected to grow 20% to 50% per year. The approximate midpoint of the range of expected growth, 30%, was used to estimate growth during calendar years 2004 - 2007.
- Since the rate reduction occurs in the middle of tax year 2004, the revenue loss in fiscal year 2005 was adjusted to reflect the effective date.

Number of Taxpayers: About 15 taxpayers per year.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy