**INSURANCE PREMIUMS TAXES**
**Public Pension Insurance Surcharge**

March 20, 2013

***Preliminary Estimates***

| | Yes | No |
|---|---|---|
| **DOR Administrative Costs/Savings** | X | |

Department of Revenue
Analysis of H.F. 857 (Atkins), 1st Engrossment

| | Fund Impact | | | |
|---|---|---|---|---|
| | **F.Y. 2014** | **F.Y. 2015** | **F.Y. 2016** | **F.Y. 2017** |
| | (000's) | | | |
| Auto Insurance Surcharge | $15,500 | $15,500 | $15,500 | $15,500 |
| Homeowners Insurance Surcharge | $7,500 | $7,500 | $7,500 | $7,500 |
| General Fund Total | $23,000 | $23,000 | $23,000 | $23,000 |

Effective for insurance policies issued after June 30, 2013

## EXPLANATION OF THE BILL

The bill imposes a surcharge of $5 per calendar year on private automobile insurance and homeowners insurance policies to aid fire and police pensions. The surcharge applies to any policy that is issued or renewed in each calendar year.

The bill establishes accounts in the general fund in which the surcharge amounts are to be deposited. Revenue from the surcharge on automobile insurance policies will be allocated to the surcharge police pension aid account, while revenue from the surcharge on homeowners insurance policies will be allocated to the surcharge fire pension aid account.

The surcharge would be terminated when both the State Patrol Retirement Plan and the PERA P&F plan are determined to be at least 90% funded on a market value of assets basis.

## REVENUE ANALYSIS DETAIL

- Based on data from the Legislative Commission on Pensions and Retirement, it was assumed that there are 3.1 million auto insurance policies and 1.5 million homeowners insurance policies that would be subject to the surcharge each year.
- It was assumed that the surcharge would not be terminated before tax year 2017.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx