

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 457

(Delegate Dumais)

Economic Matters

Finance and Budget and Taxation

Insurance - Application of Premium Tax - Continued Exclusion of Maryland
 Automobile Insurance Fund

This bill makes permanent the provisions of Chapter 509 of 2017 that exempt the Maryland Automobile Insurance Fund (MAIF) from being required to pay the 2% premium tax for its insurance policies. As a result, MAIF continues to not be subject to paying the premium tax from fiscal 2023 onward. The bill also makes a conforming change by including MAIF in the list of insurance entities that are exempt from paying the premium tax.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$1.6 million annually beginning in FY 2023. Expenditures are not affected.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	\$0	(\$1.6)	(\$1.6)	(\$1.6)	(\$1.6)
Expenditure	0	0	0	0	0
Net Effect	\$0.0	(\$1.6)	(\$1.6)	(\$1.6)	(\$1.6)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

MAIF Effect: MAIF’s nonbudgeted revenues increase by approximately \$1.6 million annually beginning in FY 2023. Expenditures are not affected.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
NonBud Rev.	\$0	\$1.6	\$1.6	\$1.6	\$1.6
Expenditure	0	0	0	0	0
Net Effect	\$0.0	\$1.6	\$1.6	\$1.6	\$1.6

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not affect local governmental operations or finances.

Small Business Effect: None.

Analysis

Current Law: Created by the General Assembly in 1972, MAIF is an independent nonbudgeted State agency. Through its Insured Division, MAIF provides automobile liability insurance to residents of the State who are unable to obtain policies in the private insurance market. MAIF is not in direct competition with the private insurance industry.

Title 6 of the Insurance Article imposes a 2% premium tax on each authorized insurance company, surplus lines broker, or unauthorized insurance company that sells, or an individual who independently procures, any type of insurance coverage upon a risk that is located in the State. Revenues accrue to the general fund. Chapter 509 exempted MAIF from paying the premium tax for its automobile insurance policies through fiscal 2022 and required MAIF to submit an annual report to both the Maryland Insurance Administration (MIA) and the General Assembly about, among other things, how the exemption affects its operations. The final annual report is due October 1, 2021, and beginning in fiscal 2023, MAIF must once again pay the premium tax.

In addition to exempting MAIF from the premium tax, Chapter 509 made several other substantive changes to MAIF's operations that did not have a termination date. For example, Chapter 509 repealed the provision of law that subjected MAIF to the Open Meetings Act, expanded eligibility for a MAIF policy to more individuals in the State, and authorized MAIF to file and use its premium rates in the same manner as other private passenger automobile insurers in the State.

State/MAIF Revenues: MIA advises that, since the enactment of Chapter 509, MAIF has realized average annual savings of \$1.6 million due to the premium tax exemption. Specifically, MIA advises that, absent Chapter 509, MAIF would have paid:

- \$1,835,120 for 2018;
- \$1,692,594 for 2019; and
- \$1,238,538 for 2020.

Therefore, general fund revenues decrease by an estimated \$1.6 million annually beginning in fiscal 2023 due to the premium tax exemption of Chapter 509 being made permanent rather than being reinstated that year as under current law. MAIF revenues increase correspondingly (by an estimated \$1.6 million annually) beginning in that same year.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 149 (Senator Kelley) - Finance and Budget and Taxation.

Information Source(s): Maryland Automobile Insurance Fund; Maryland Insurance Administration; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - January 22, 2021
rh/ljm Third Reader - March 17, 2021
Revised - Amendment(s) - March 17, 2021

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510