TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

CORRECTED FISCAL NOTE

SB 163 – HB 1371

April 17, 2018

SUMMARY OF BILL: Exempts multiple employer welfare arrangements (MEWA) from paying premium taxes.

ESTIMATED FISCAL IMPACT:

On March 2, 2017, a fiscal note was issued estimating the following fiscal impact:

Decrease State Revenue - $218,900/FY17-18
Exceeds $544,600/FY18-19 and Subsequent Years

Based on additional information received from the Department of Commerce and Insurance, this impact was determined to be in error. Based on such additional information the fiscal impact for the bill has been corrected as follows:

(CORRECTED)
Decrease State Revenue - $56,000/FY18-19
Exceeds $75,000/FY19-20 and Subsequent Years

Corrected assumptions:

- This bill will take effect upon becoming law.
- A MEWA is a single plan that covers the employees of two or more unrelated employers. In order to be a MEWA, multiple employers under a single plan cannot be substantially related through ownership or be part of a control group exhibiting substantial similarities.
- Based on information provided by the Department of Commerce and Insurance (DCI), there are currently two MEWAs that are licensed with the Department.
- The first MEWA began writing premiums on October 1, 2017, and paid approximately $3,200 in premium taxes for the fourth quarter of 2017. This MEWA began operations much later than anticipated; therefore, its membership did not meet projections. The Department expects it to double in size for the 2018 calendar year
- The second MEWA began writing on January 1, 2018. This MEWA is expected to be larger than the first.
- The Department understands that the management company assisting in the formation of these two MEWAs is currently in communication with additional associations or groups

to form new MEWAs in future years. The life and health premium tax rate is 1.75 percent.
- Based on information provided by the TDCI, both companies are estimated to collect $3,200,000 in premium payments in FY18-19 and amounts exceeding $4,285,700 in FY19-20 and subsequent years.
- Exempting these two companies from paying premium taxes will result in a decrease in state revenue of $56,000 ($3,200,000 x 1.75%) in FY18-19, and a recurring decrease in state revenue of $75,000 ($4,285,700 x 1.75%) in FY19-20 and subsequent years.

IMPACT TO COMMERCE:

(CORRECTED)
Decrease Business Expenditures - $56,000/FY18-19
Exceeds $75,000/FY19-20 and Subsequent Years

Corrected assumptions:

- This bill will result in MEWAs in this state being exempt from paying premium taxes.
- The decrease in business expenditures is estimated to be $56,000 in FY18-19 and amounts exceeding $75,000 in FY19-20 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

/jdb