

Louisville Insurance Premium Tax Basics

LMCO 122.01-99, LMCO 38.64, KRS 91A.080

When

- **Metro Council must enact changes by March 14 2013**
- 100 days in advance of July 1 (March 23), the city must file notice of any change in insurance rates with the Kentucky Commissioner of Insurance. The last Metro Council meeting before March 23 is March 14 2013.
- The KY COI will notify insurance companies 85 days in advance (April 7) of the effective date

What the tax applies to

Insurance actually collected in a calendar year, minus any premiums returned to policyholders, for:

- Casualty insurance
- Auto insurance
- Inland marine insurance
- Fire and allied perils insurance
- Life insurance (based on the 1st year's premiums)
- Health insurance for Urban Services District policyholders (LMCO 38.64 (Blackwell) passed in 2007 reestablished this), except as described in "Exceptions."

Exceptions/what it doesn't apply to

- Certain kinds of health insurance are exempted by KRS 91A.080:
 - Group health insurance for state employees
 - Employer liability insurance
 - Individual health insurance policies
 - Kentucky Access health insurance policies
 - High deductible health insurance plans
- Debt instruments on behalf of a government (like bond insurance), unless it's for a for-profit
- LMCO 38.64 (2007) exempts health insurance for those outside the Urban Services District

Revenues

- Revenues from the existing 5% fee were over \$48 million in FY 2010-11 for Louisville.
- 1% increase is projected to raise an additional \$9.7 million
- .5% would yield \$4.85 million
- 2% would yield \$19.4 million

Costs

- Average homeowner's insurance increases \$7.60 annually (63¢/month)
- Average auto insurance increases \$7.52 annually (63¢/month)
- Combined, that's about the cost of a 2-liter of soda (\$1.25/month)

Comparisons

- Newport: 13%
- Covington, Ashland: 10%
- Owensboro: 8%. Owensboro in 2009 raised its insurance premium tax from 4% to 8% and generated \$80 million, achieving an impact of \$1 billion in economic development and generating thousands of jobs – more than any other metropolitan area in Kentucky in the last two years. Also, revenue from Owensboro's occupational tax rose 7.8%, city government has ended the year with surpluses for the last seven years, and unemployment decreased to below the national average.
- Lexington is at 6% and seeking to increase it to 6.5% to fund a local AHTF
- Paducah: 6%