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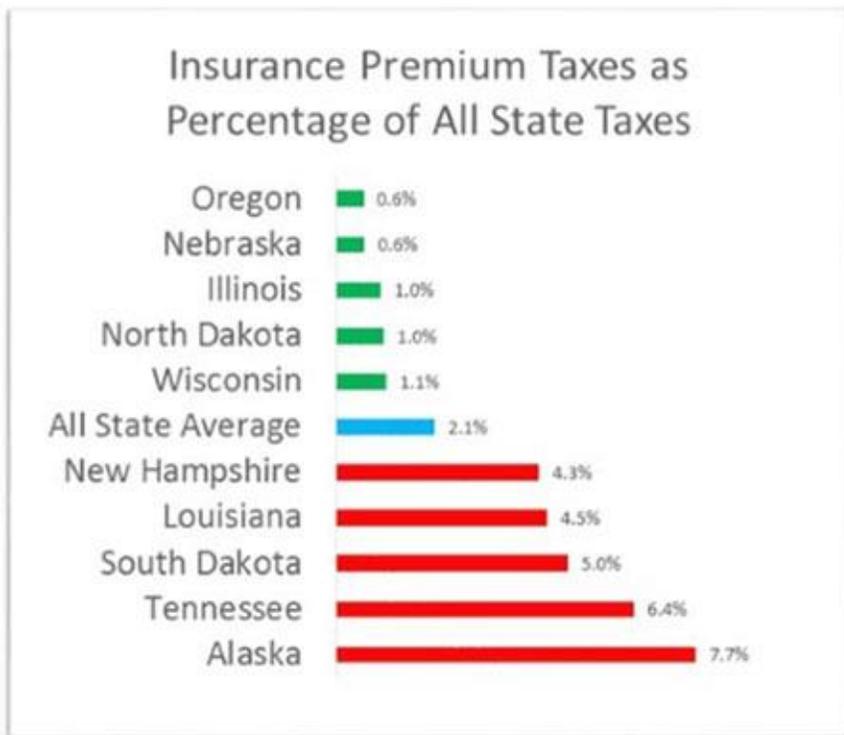
## STUDENT OF THE INDUSTRY PARTING SHOT

### Premium Taxes and State Budgets

By Paul Buse, President of Big I Advantage®

Last week after the "Parting Shot" on insurer logo usage, I had a conversation on the importance of appointment and licensing fees to insurance departments. This was after a recent Washington Post article reference to premium taxes. The article stated, "On average, NAIC data from last year shows that 6 percent of the annual revenue collected by insurance departments was spent on regulation... In most cases, the rest of the money is deposited into states' general funds..." A link to that article on insurance regulation is [here](#).

This motivated a review of the importance of premium taxes. So, just how important are premium taxes to state budgets? After a cross reference to all state taxes for 2015, the answer is that the average is that there is \$1 of premium taxes for every \$49.50 in all state government tax collections (i.e., premiums taxes are 2.1% of all state taxes). I was surprised at the variance in reliance on premium taxes from state to state. Below are the top five and bottom five states with respect to insurance premium taxes as a percentage of all taxes and fees collected in states. If you want to know the info for your state and it's not listed below, email me at [paul.buse@iiaba.net](mailto:paul.buse@iiaba.net).



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Source: [U.S. Census Bureau](http://www.census.gov), 2015 Annual Survey of State Government Tax Collections.

Note/Clarification: There is a difference in premium tax rates and the portion of a state's budget that comes from premium taxes. The above ARE NOT average state premium tax rates. Coincidentally, the AVERAGE of both is very close to 2%. This is because total insurance industry premiums (life, health and property/casualty) is about \$1 trillion and total state tax revenues in 2015 was \$916 billion.

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