

State Insurance Revenues

In addition to state authority and consumer protection laws, federal regulation of insurance threatens state revenue. States collected nearly \$11.8 billion from insurance taxes, fees and fines in 2001. Of this amount, only \$942.6 million—8 percent—was spent on state regulation of insurance while the remaining \$10.8 billion went to state general funds to pay for other state programs.

Although current proposals for an optional federal insurance charter are revenue neutral to the states, many believe that the federal government would preempt or diminish this important source of state revenue soon after a federal insurance regulator was in place.

More than 88 percent of state insurance revenues come from premium taxes. Premium taxes are gross receipt taxes, which place a flat levy—typically between two and three percent, but as low as 0.75 percent in Wyoming and as high as 4.27 percent in Hawaii—on all premiums paid.

Most corporations pay taxes only on net profits. States generally apply higher rates but allow firms to write off the cost of doing business from the tax base. Insurance companies pay taxes on all the money that they receive in premiums, regardless of whether they make a profit.

As a result, states generate more money from premium taxes on insurance than they do from other industries.

*Written by NCSL Staff
Source: NAIC, 2002*

Insurance Taxes, Fees and Fines in 2001	
State	Total Revenues (in thousands)
Alabama	\$211,106
Alaska	31,594
Arizona	219,723
Arkansas	130,562
California	1,623,336
Colorado	146,697
Connecticut	130,348
Delaware	60,754
District of Columbia	50,454
Florida	511,189
Georgia	513,264
Hawaii	78,050
Idaho	69,167
Illinois	294,044
Indiana	168,586
Iowa	145,360
Kansas	84,583
Kentucky	194,418
Louisiana	163,571
Maine	50,785
Maryland	221,770
Massachusetts	771,954
Michigan	20,587
Minnesota	194,709
Mississippi	133,088
Missouri	195,629
Montana	46,052
Nebraska	77,052
Nevada	155,326
New Hampshire	67,201
New Jersey	420,416
New Mexico	94,214
New York	749,534
North Carolina	355,350
North Dakota	31,364
Ohio	403,234
Oklahoma	174,240
Oregon	64,280
Pennsylvania	316,824
Rhode Island	58,023
South Carolina	122,156
South Dakota	50,418
Tennessee	330,199
Texas	869,642
Utah	86,420
Vermont	40,831
Virginia	321,657
Washington	302,945
West Virginia	115,053
Wisconsin	115,286
Wyoming	12,501
Total	\$11,795,546