



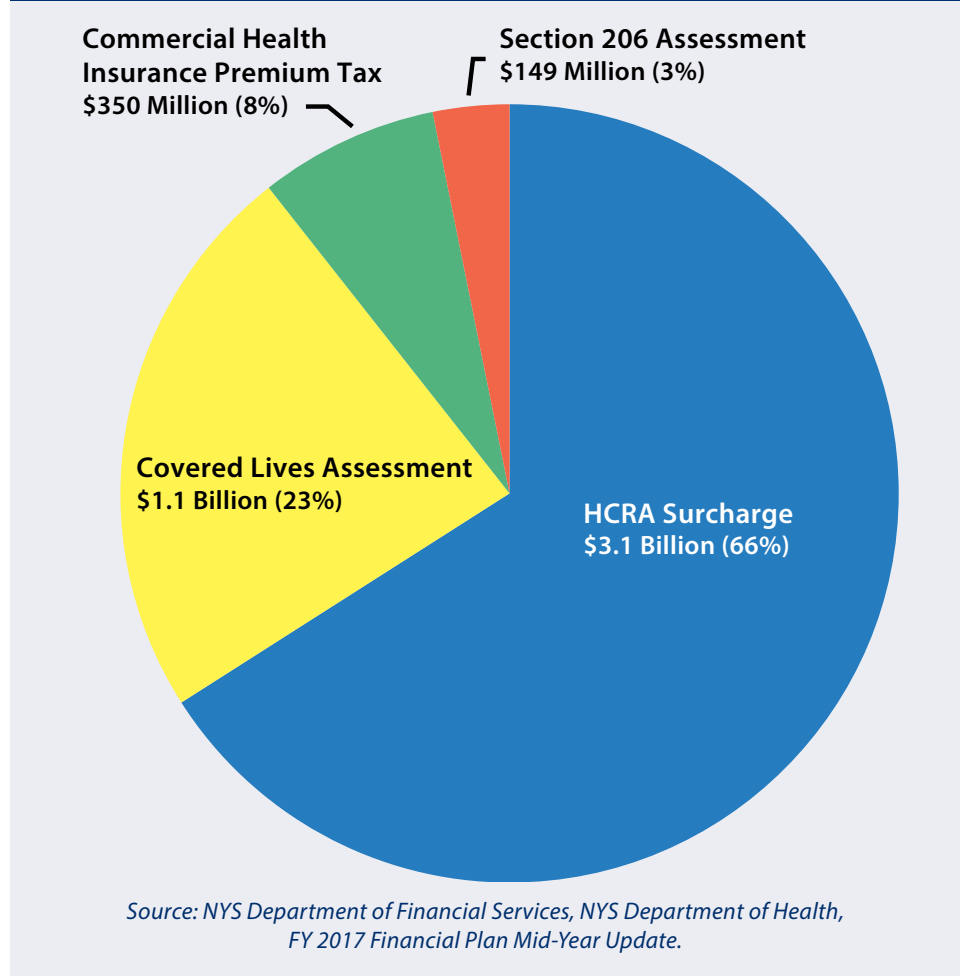
# A Closer Look at Taxes on New Yorkers' Private Health Insurance

New York State imposes four taxes on employers and individuals who purchase health insurance. The taxes, which amounted to an **estimated \$4.7 billion in 2016**, include a covered lives assessment that varies by region, a surcharge (sales tax) on health services, the Section 206 assessment on insurers and a premium tax.

## Covered Lives Assessment

The CLA is an annual flat surcharge (or tax) on all privately insured people in the state. Health plans are assessed according to the number of people they cover. The assessment is included in the individual and family premium and varies by the insured's residence. When it was initiated in 1996, the covered lives assessment was intended to pay for graduate medical school expenses. Increasing sums generated by the tax have been used for general fund obligations. In 2016, New Yorkers with private health insurance will **pay approximately \$1.1 billion** to the state for the covered lives assessment.

## State Taxes Cost Privately Insured New Yorkers \$4.7 Billion in 2016



## HCRA Surcharge

A surcharge created by the Health Care Reform Act (HCRA) of 1996 is collected from health plans in the form of a sales tax on certain hospital-based health services. The surcharge was originally designed to help reimburse

hospitals for losses incurred by bad debt and charity care. Today, it is used for a variety of general fund purposes. The surcharge applies to members of a self-insured or fully insured health plan. The initial rate of the surcharge was 8.18 percent in 1997 and yielded

\$517 million. The current rate is 9.63 percent, and yielded \$3.1 billion in 2016.

### Assessment On Insurers

The third levy, called a Section 206 assessment (formerly, 332 assessment), was established to finance the then New York State Insurance Department operations. It applies to all licensed insurers in the state (e.g., life, property and

casualty, and health) and is based on premiums paid in New York state. Section 206 assessments do not apply to third-party administrators, out-of-state insurers or self-funded health plans. In 2016, New Yorkers with private health insurance paid **approximately \$149 million** to finance the New York State Department of Financial Services.

### Premium Tax

A 1.75 percent tax is applied to premiums paid by those with commercial health insurance policies. The revenue from these for-profit insurers goes to the state treasury's general fund. In 2015, the premium tax raised an **estimated \$350 million**.



## How High are Taxes on Private Health Insurance Compared to Other State Business Taxes?



Taxes on Private Health Insurance  
**\$4.7 Billion**

Corporate Franchise Tax  
**\$4.5 Billion**



Insurance Taxes\*  
**\$1.3 Billion**



Real Estate Transfer Tax  
**\$1.1 Billion**



Petroleum Business Tax  
**\$1.1 Billion**

*Source: NYS Department of Financial Services, NYS Department of Health, FY 2017 Financial Plan Mid-Year Update.*

*\* Insurance taxes do not include an estimated \$350 million collected through a 1.75 percent premium tax on commercial health insurers.*

Among all business taxes levied by the state, the taxes imposed on the privately insured rank as the single largest business tax in New York state (\$4.7 billion).

## Revenue by Type of Tax New York State Collects

FY 2016	Total (in Millions)
Personal Income Tax	\$47,000
Sales and Use Tax	\$13,359
Taxes on Private Health Insurance Coverage	\$4,656
Corporation Franchise Tax	\$4,527
Estate Taxes	\$1,521
Motor Vehicle Fees	\$1,379
Insurance Taxes*	\$1,303
Cigarette and Tobacco Taxes	\$1,251
Real Estate Transfer Tax	\$1,163
Petroleum Business Tax	\$1,124
Corporation and Utilities Tax	\$774
Motor Fuel Tax	\$503
Alcoholic Beverage Taxes	\$255
Highway Use Tax	\$158
Auto Rental Tax	\$126
Alcoholic Beverage Control License Fees	\$66
Pari-mutuel Taxes	\$17
Other Taxes	\$2

Among all of the taxes collected by New York state, taxes on private health insurance (\$4.7 billion) rank third highest after personal income taxes (\$47 billion) and sales and use taxes (\$13.4 billion).

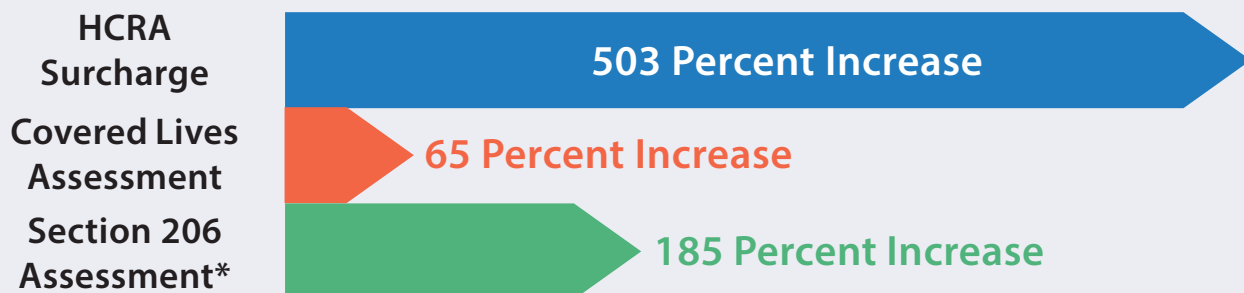
Taxes on private health insurance are higher than Petroleum Business Tax, Real Estate Transfer Tax, Corporation and Utilities Tax, Motor Fuel Tax, Alcoholic Beverage Taxes, Highway Use Tax, Auto Rental Tax, Alcoholic Beverage Control License Fees, Pari-mutuel Taxes and Other Taxes combined.

Source: NYS Department of Financial Services, NYS Department of Health, FY 2017 Financial Plan Mid-Year Update.

\* Insurance taxes do not include an estimated \$350million collected through a 1.75 percent premium tax on commercial health insurers.



## How High Have Taxes on Private Insurance Risen Over the Last 20 Years?



\* Increase includes projected tax collections for 2015

Source: Data supplied by the New York State Enacted Budget Financial Plans and New York State Department of Financial Services.