# Memorandum in Opposition

## Assembly Revenue Budget Bill (A. 3009-B, Part OO)

On behalf of our memberships, which collectively provide coverage to the majority of New York's insured residents and employers, we hereby express our opposition to proposed Part OO of the Assembly's Revenue Bill. Part OO would create an eighteen percent surcharge on the total tax liability of a variety of businesses operating in the State, including insurance companies. The revenue raised by the eighteen percent surcharge would be swept into the General Fund. At this time, when businesses in New York State continue to struggle to recover from the COVID-19 pandemic, it would be particularly unwise to add additional costs to the insurance products that businesses and residents need in order protect their financial security.

The insurance industry has a substantial impact on New York's economy that extends well beyond its role in assuming risks from other sectors of the economy. The insurance industry also is a major employer, as well as a major investor in municipal bonds, providing financing for critical services and infrastructure throughout the State.

In addition to already paying significantly higher taxes than other sectors of the State's economy, insurers and other regulated entities also pay a separate assessment to fully fund the operations of the Department of Financial Services. In addition to the tax liability and assessments to fund the Department of Financial Services, the State has followed an increasing pattern of placing additional mandates on businesses operating in New York. Insurers are subject to numerous coverage mandates imposed by the State, and are either subject to a premium rate established by the State (e.g., Paid Family Leave, Disability Insurance, Health Insurance), or premium rates which are subject to approval by the State (e.g., auto insurance). It is fundamentally unfair to apply an additional surcharge to a highly regulated industry that is often constrained in its ability to adjust product features and pricing to meet market and business realities.

The detrimental impact of a proposed new surcharge is clear. New York businesses and residents will face higher costs for insuring their risks than their counterparts in other states, making the State a less attractive place to live or locate and operate a business. This risk to the State's business climate is further exacerbated as neighboring states—such as Connecticut—have lowered premium tax rates in recent years.

Likewise, the proposed surcharge would put insurers headquartered in New York at a competitive disadvantage. Nearly every other state imposes a retaliatory tax on New York-based insurance companies when that state's tax rate is lower than New York's. Since the proposed surcharge would be layered on top of New York's already high tax rate on insurers, insurance companies that call New York State home will be subjected to higher retaliatory tax charges throughout the country. Although the Assembly's proposal offers New York insurers a credit for retaliatory taxes paid to other states, similar credits have not fully reimbursed insurers for the retaliatory taxes paid to other states.

Insurers, especially at this time, are critically important to the New York State economy. They assume and transfer all manner of risk from every corner of the State and their products are purchased by every sector of the economy. The insurance industry is integral to the vitality of the New York State economy. The 18% surcharge on insurance companies proposed by the Assembly, therefore, will add costs that ripple throughout the State – costs which residents and businesses cannot bear as they try to recover from that pandemic.

Therefore, we urge you not to support this proposal to raise revenue through a surcharge on the insurance industry.