

Governor Tom Wolf's tax proposal calls for increasing the PA sales tax to 6.6 percent (now 6%) and would expand the sales tax to numbers of professional services. Following is March 31, 2015 analysis by PAHU Lobbyist Vince Phillips as to its possible impact on insurance producers.

Financial Advising

Here is language from the Governor's proposal:

(5) Investment advice services. Providing financial planning or investment advice, including, but not limited to, consulting, counseling or advisory services

True, an insurance product such as an annuity itself would not be taxed but if there are fees connected with the consumer choosing an annuity over some other financial planning vehicle, the fee-driven process to reach that decision would be. As I understand it, the sales tax would be levied on fees charged by insurance producers and not on the insurance sale itself. Many health insurance brokers or others in their agencies also do some sort of financial planning.

Health insurance

As you know, health underwriters do much more than sell insurance. They act as de facto human resource departments for businesses that don't have one and serve as compliance resources for those firms having an HR Department. Imposing a sales tax on these services would add to the costs businesses face in providing employee benefits and might prompt them to stop providing benefits altogether.

Language in the Governor's proposal would impact health insurance brokers in several ways:

Page 37: *(xix) Human resources consulting services, including, but not limited to:*

(A) providing advice, assistance and consulting services to businesses and other organizations in human resources and personnel policies, practices, and procedures;

(B) employee benefits planning, communication and administration;

I did not see any language in the governor's proposal exempting third party administrators (TPAs). Health insurance agencies frequently provide this service to business clients as well. Some insurance agencies provide advice on coping with COBRA requirements. Would these fee services be considered "*human resources consulting*"?

On the property casualty side of the insurance business:

* There might be an indirect cost included in property insurance premiums based on *(L) "services provided by fire insurance underwriters' laboratories"* I don't know if insurance companies have to pay these costs. If so, they add to premium costs incrementally.

* If an insurance agent is helping an employer reduce exposure for employment practices lawsuits by helping them prepare "*personnel policies, practices and procedures*" such as an employee handbook, are they engaged in "*human resources consulting services*"?

* *Page 41: "Building inspection services, including but not limited to, evaluating any aspect of the building structure and component systems or preparing a report on the physical condition of the property, generally for buyers or others involved in real estate transaction, such as services provided by building inspection bureaus and establishments providing home inspection services, and energy efficiency inspection services"*

Does this include entities such as Mutual Inspection Bureau (MIB)? MIB does not do physical inspection for real estate transaction purposes but would they be included because of "*not limited to*" or "*building inspection bureaus*" If so, a sales tax on inspections would add to Mutual Insurance Companies costs

and ultimately the insurance premium.

There does not appear to be an exemption for other risk management fee services such as a work site inspection to identify possible hazards that might prompt a Workers Compensation claim. Would that be "other professional services" and as such, taxable services?