



NEW YORK STATE SENATOR

John J. Bonacic

## Senator Bonacic Acts to Protect Health Insurance Consumers from New State Tax

JOHN J. BONACIC February 6, 2018



(Albany, NY)-State Senator John J. Bonacic (R/C/I-Mt. Hope) voted in favor of legislation today that would protect health insurance consumers from a new state tax that prevents anticipated savings from the federal tax reforms from going back to customers. The bill (S7587) ensures that the \$140 million estimated windfall to health insurers from federal corporate tax rate reductions could still result in lower health care costs for taxpayers, instead of an Executive Budget proposal that diverts the savings back to the state.

“I was pleased to join my colleagues in supporting this legislation that will ensure that hardworking New Yorkers don’t lose out on money that belongs to them,” said Senator Bonacic. “This bill builds on the Senate Majority’s ongoing commitment to making New York a more affordable place to live, work and raise a family.”

The federal government recently enacted the Tax Cuts and Jobs Act of 2017, reducing the federal corporate tax rate applicable to for-profit health insurance companies. As a result, health insurance companies’ earnings will rise by approximately 14 percent. With insurance companies paying millions less in federal taxes, under current law, the spending ratio used by state regulators to determine premiums potentially change. The reduction in insurers' costs would likely trigger an opportunity for consumers' premiums to be reduced in the form of rate reductions, refunds, or credits on a pro-rated basis.

However, under the Executive's SFY 2019 Budget Proposal, rebates would not pass to the consumer as they normally would according to current law. Instead, under the Executive's proposal, the State would use the rebates to "help close the State budget gap," effectively keeping funds that would otherwise go back to consumers. This bill is necessary to make sure the health companies’ windfall goes back to consumers instead of the state’s coffers.

This bill has been sent to the Assembly.