



# Logical Planning Solutions Inc.

INSURANCE AND INVESTMENTS

The Respect You Want. The Service You Deserve.

June 4, 2012

Honorable Kerry Benninghoff, Majority Chairman  
House Finance Committee  
Main Capitol  
Harrisburg, PA 17120

**RE: House Bill 1776 Printer's Number 3369**

Dear Mr. Chairman:

I am writing you on behalf of my business and its clients to raise a question to you about an unanticipated consequence of House Bill 1776, Printer's Number 3369. Specifically, in Section 704 beginning on page 85, I did not see insurance brokers' professional fees as exempted from the sales tax as they are now. (Insurance premiums are exempted in HB 1776.). Section 782 states that the legislative intent is to expand the reach of the sales tax to services which are now not taxed.

Professionally, I serve as President of a State College-based employee benefits firm which focuses on meeting the health insurance needs of businesses with 2-50 employees. I am also President of the regional chapter of the PA Association of Health Underwriters (PAHU). As you know, PAHU represents insurance producers who specialize in health insurance and employee benefits.

While I and other health insurance brokers are generally supportive of school property tax reform, a consequence of imposing a seven-percent sales tax on services provided by insurance professionals will have an adverse impact on small businesses. These small businesses carry the weight of ever-increasing health care costs and expanding coverage mandated by Federal law which translates into higher premiums that the health insurers charge. Thanks to a provision in the Patient Protection Affordable Care Act (PPACA) regarding Medical Loss Ratios, insurance brokers have seen a serious decline in the levels of commissions coming from companies and a transition to a fee-based system of compensation. What this means is a double squeeze. My clients may decide that a seven percent increase in their cost on top of fees simply makes health insurance unaffordable. Second, because my business income is forcibly shifting to more fee-based revenue, it adds to my administrative costs as a collector of sales tax as well as making it more difficult to service my accounts if the market dries up.

Many PAHU members are local family-run businesses. Added costs to consumers in purchasing insurance from a local broker may lead existing clients to purchase insurance from the Internet or from a national so-called 'discount' concern without the deep interest in customer service that I and my employees have.

Thus, I respectfully request that further analysis be done on the impact of the expansion of the sales tax to professional services such as those performed by local insurance agencies before the bill moves through the House Finance Committee.

Thank you for receiving this comment on HB 1776.

Sincerely,

Damian Mochan

President