

BILL ANALYSIS AND FISCAL IMPACT REPORT
Taxation and Revenue Department

February 26, 2025

Bill: SB-168

Sponsor: Senator William E. Sharer

Short Title: Travel Insurance Act

Description: This bill adds several new sections to the New Mexico Insurance Code to enact the Travel Insurance Act. As it relates to the Taxation and Revenue Department (Tax & Rev), a section is added to impose a premium tax, as provided in the Insurance Premium Tax Act, on travel insurers.

Effective Date: 90 days after enactment.

Taxation and Revenue Department Analyst: Lucinda Sydow

Estimated Revenue Impact*					R or NR**	Fund(s) Affected
FY2025	FY2026	FY2027	FY2028	FY2029		
--	\$20	\$20	\$20	\$22	R	Law Enforcement Protection Fund
--	\$9	\$10	\$11	\$13	R	Emergency Medical Services Fund
--	\$130	\$140	\$160	\$170	R	Health Care Affordability Fund
--	\$190	\$210	\$230	\$250	R	Fire Protection Fund
--	\$260	\$290	\$320	\$360	R	General Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact: Tax & Rev assumes that New Mexico travelers traveling internationally are more likely to purchase travel insurance. An American Automobile Association (AAA) story from 2018 citing the increased popularity of international travel among Americans also highlighted that international travel is more expensive and requires purchasing travel reservations well in advance. The same article cited that in a 2018 AAA survey, 4 in 10 Americans are likely to purchase travel insurance for future international trips.¹ Tax & Rev assumes the AAA survey is representative of all U.S. international travelers and therefore assumes 4 in 10 New Mexicans traveling overseas will purchase travel insurance. To estimate the number of New Mexican international travelers, Tax & Rev started with data from the U.S. Department of Transportation on the number of passengers on domestic and international flights annually in the United States.² Tax & Rev assumed 50% of international travelers are from the United States for each year of travel including data for 2024. Tax & Rev then proportioned the number of U.S. international travelers in 2024 to each state based on the U.S. Census’s estimate of U.S. and state populations for 2024.³ Tax & Rev grew the New Mexico population traveling by the 2024 over 2023 increase in U.S. passengers. Finally, Tax & Rev assumed 40% of those travelers would purchase travel insurance based on AAA survey. From those assumptions, in FY2026, approximately 30,600 New Mexico travelers will purchase travel insurance and by FY2029, 38,400 travelers will purchase travel insurance.

¹ <https://newsroom.aaa.com/2018/07/travel-insurance-vacation-investment-americans/>

² Bureau of Transportation Statistics T-100 Market data.

³ Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia, and Puerto Rico: April 1, 2020 to July 1, 2024 (NST-EST2024-POP)

For the average cost of insurance, Tax & Rev viewed several websites that quote travel insurance costs. Tax & Rev used an estimate from Forbes, which states that average travel insurance per trip is 7% of travel costs but the percentage increases with age. Using their table of average travel insurance cost per trip by age, Tax & Rev arrived at an average of \$374.⁴ Tax & Rev grew the average cost by an S&P consumer insurance index from their January 2025 forecast. Tax & Rev multiplied the annual average insurance cost by the estimated number of international New Mexico travelers per fiscal year.

Finally, based on the bill's designation of this insurance under Section 9, subsection A, as either health or as inland marine line, Tax & Rev assumed 50% of the premiums would fall as health and life insurance and 50% would fall under property tax (where the current inland marine line falls). Travel insurance packages can cover a variety of options from total reimbursement, baggage protection and medical. Tax & Rev applied the premium tax and health insurance premium surtax as applicable. Tax & Rev then distributed the revenue to the relevant funds per the lines of insurance.

Policy Issues: Like other forms of insurance, travel insurance is a contract against risk. In this case, the risk is when traveling, one must pay upfront for transportation reservations, accommodation reservations, and tours fees, etc. and events out of one's control can mean losing that investment. Under the tax policy of equity or fairness, this would treat equably another type of insurance not currently taxed and increase horizontal equity in the insurance market. The imposition of insurance premium tax on travel insurance will most likely be passed onto the consumer, thus increasing the cost of travel for those that choose to purchase travel insurance.

Technical Issues: None.

Other Issues: None.

Administrative & Compliance Impact: Tax and Rev will update forms, instructions and publications. Tax & Rev will train employees on the inclusion of travel insurance under the Insurance Premium Tax. Tax & Rev will produce communications to impacted taxpayers who may need to register under the Insurance Premium Tax and file for the first time. Tax & Rev will be able to absorb these changes under current staff workload.

⁴ <https://www.forbes.com/advisor/travel-insurance/travel-insurance-statistics/>