



Foreign Insurance Premium Tax

The state has imposed a tax on insurance companies since the 1830s. A foreign insurance company is a company not organized under Ohio law. The tax is administered by the Ohio Department of Insurance. Currently, the tax rate is 1.4 percent of gross premiums, with health insurance companies paying 1.0 percent. A \$250 minimum tax applies. In FY 2014, total domestic insurance premium taxes were approximately \$308.0 million, with \$286.5 million to the state's General Revenue Fund and the remaining \$21.5 million to the state's Fire Marshal Fund.

Table 1: Foreign Insurance Premium Tax Revenues
(dollars in millions)

Fiscal Year	General Revenue Fund	Fire Marshal Fund	Total
2010	\$250.8	\$15.6	\$266.4
2011	256.3	16.7	273.0
2012	266.5	17.4	283.9
2013	274.6	17.9	292.5
2014	286.5	21.5	308.0

Source: Ohio Office of Budget and Management financial reports.

Taxpayer

(Ohio Revised Code 5725.01, 5729.03)

The tax is paid by insurance companies not organized under Ohio law (those based out of state).

Tax Base

(R.C.5725.03)

The tax applies to the gross amount of premiums from policies for Ohio risks by insurance companies not organized under Ohio law.

Rates

(R.C. 5729.03, 5729.06, 3737.71)

The tax rate is 1.4 percent of gross premiums for insurance companies that are not health insuring corporations. The rate for insurance companies that are health insuring corporations is 1 percent. Premiums derived from fire insurance are also subject to an additional 0.75 percent tax on the gross premiums derived from fire insurance. The minimum tax is \$250.

Exemptions

(R.C.5725.03)

The tax does not apply to annuities, deposit-type life insurance contract funds, Medicaid payments received before October 1, 2009, Medicare payments, small employer health care alliance premiums or federal crop insurance premiums.

Credits

Credit for Smaller Insurance Groups (R.C. 5729.031): Insurer groups with less than \$75 million in total U.S. premiums are eligible for a credit of up to \$200,000 against their annual tax liability. The closer groups get to the \$75 million mark, the lower the value of this credit.

Special Provisions

Retaliatory provisions (R.C. 5729.06): Foreign insurers are subject to retaliatory provisions. This means that the taxes imposed by one state or nation on an insurance company of any state doing business in that location are also imposed on that state or nation's insurance companies doing business in Ohio.

Health Insuring Corporations (R.C. 5729.03): Domestic insurers that are health insuring corporations are taxed at the rate of 1 percent of all premium payments, excluding Medicare payments received for Medicaid prior to October 1, 2009.

Fire Insurance tax (R.C. 3737.71): An additional 0.75 percent tax is levied on the gross premiums from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other insurance coverages.

Filing and Payment Dates

(R.C. 5725.29.05)

The tax year is the year in which the tax returns are due to filed. Tax liabilities are based upon the previous year's business activity. Payment dates are as follows:

- October 15: Advance payment of an amount equal to half of the previous year's tax liability before credits.
- May 15: Payment of balance of taxes for the current year.
- June 15: Final payment or refund.

Disposition of Revenue

(R.C. 5729.03, 3737.71)

Revenue is distributed to the state's General Revenue Fund, except for revenue from the additional tax on fire insurance (see Special Provisions), which is distributed to the Fire Marshal Fund.

Administration

Director, Ohio Department of Insurance

Ohio Revised Code Citations

R.C.5725, 5729, 3737.71.

History of Major Changes

1830	Legislature enacts a 4 percent tax on dividends paid by insurance companies with a \$50 minimum tax.
1831	The 4 percent tax is repealed; legislature enacts a 6 percent tax on the profit from premiums received in Ohio by foreign insurance companies.
1852	The value of gross premiums collected by foreign insurance companies becomes subject to the property tax.
1888	Legislature enacts a supplemental tax on gross premiums that, when added to the property tax, would equal 2.5 percent of gross premiums. The law includes a retaliatory tax on companies from states that charge higher tax rates on insurance companies organized in Ohio.
1902	Legislature converts the existing taxes on foreign insurance companies to a direct 2.5 percent tax on gross premiums.
1971	Legislature increases rates to either 0.3 percent of capital and surplus or 2.5 percent on gross premiums, whichever is less.
1997	Legislature enacts H.B. 215, which phased in several major changes between 1999 and 2003. These include: <ul style="list-style-type: none"> • A gradual reduction in the gross premium tax rate from 2.5 percent to 1.4 percent. • A gradual elimination of the capital and surplus tax. • A minimum tax of \$250 (instead of \$200). • An expansion of the tax credit for smaller insurer groups to include those with less than \$75 million in U.S. premiums (previously, the limit was \$50 million).

Comparisons with Other States

(as of July 1, 2014)

In Georgia, Indiana, Kentucky, Michigan, North Carolina, Ohio, Pennsylvania, Tennessee, Texas and West Virginia, retaliatory taxes apply to foreign insurance companies.