



## Domestic Insurance Premium Tax

The state has imposed an annual franchise tax on insurance companies since the 1830s. A domestic insurance company is every insurance company organized and existing under Ohio law. The tax is administered by the Ohio Department of Insurance. In fiscal year 2015, total domestic insurance premium taxes were approximately \$257.2 million, with \$251.6 million going to the state's General Revenue Fund and the remaining \$5.6 million to the state's Fire Marshal Fund.

Fiscal Year	General Revenue Fund	Fire Marshal Fund	Total
2011	\$189.4	\$4.9	\$194.3
2012	189.1	5.0	194.1
2013	206.4	5.0	211.6
2014	196.8	5.4	202.3
2015	251.6	5.6	257.2

### Taxpayer

(Ohio Revised Code 5725.01, 5725.18)

The tax is paid by domestic insurance companies organized and existing under Ohio law.

### Tax Base

(R.C. 5725.18)

The tax applies to the gross amount of premiums received from policies covering risks in Ohio.

### Rate

(R.C. 5725.18, 3737.71)

The tax rate is 1.4 percent for domestic insurance companies that are not health insuring corporations. The minimum tax is \$250.

### Exemptions

(R.C. 5725.03)

The tax does not apply to annuities, deposit-type life insurance contracts, Medicare payments, small employer health care alliance premiums or federal crop insurance premiums.

### Credits

**Credit for Smaller Insurance Companies or Groups** (R.C. 5729.031): Insurance companies or insurance company 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 insurers get to the \$75 million mark, the lower the value of this credit.

**Ohio Life and Health Guaranty Association Credit** (R.C. 3956.20): Insurance companies receive a tax credit for the full amount of assessments paid into the Ohio Life and Health Guaranty Association. By law, insurance companies are required to be members of the association, a not-for-profit association created by Ohio law, as a condition of transacting business in Ohio. If a member became impaired or insolvent, the other members would be assessed by the association at a rate of up to 2 percent of gross premiums to protect policy holders of the impaired or insolvent insurer.

The following credits are also applicable to the domestic insurance premium tax and are described in detail in the **Business Tax Credits** chapter: Job Retention, Job Creation, Venture Capital Loan Loss, New Markets, Job Training and the Historic Building Rehabilitation credits.

### Special Provisions

**Health Insuring Corporations** (R.C. 5725.18, 1731.07): Domestic insurers that are health insuring corporations are taxed at the rate of 1 percent of all premium payments, excluding Medicare payments and small employer health care alliance premiums.

**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. 5725.18, 5725.20, 5725.22)

The director of the Ohio Department of Insurance certifies the tax liability of each insurance company to the Ohio treasurer of state by the first Monday of May. Within 20 days, the treasurer issues a tax bill with payment due on June 15. The tax year is defined as the year in which the tax returns are due. Tax liabilities are based upon the previous year's business activity.

## Disposition of Revenue

(R.C. 5725.24, 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. Chapters 5725 and 5729, R.C. 1731.07, 3737.71, 3956.20.

## Recent Legislation

**Amended Substitute House Bill Number 64, 131st General Assembly (effective Oct. 1, 2015)**

The act amended R.C. 5725.22(C) to change the payment date for domestic insurance premium tax such that the last day on which payment may be made without penalty shall be the 15th day of June.

## 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 5 percent tax on the dividends of "bank, insurance and bridge companies.
1852	New Ohio Constitution requires the taxation of all real and personal property according to uniform rule and subjects corporation property to taxation, same as for individuals. Requires all insurance companies to list real property, tangible property, money and credits for taxation as property.
1900	Legislature enacts a 0.5 percent tax on the gross premiums of all insurance companies to support the state fire marshal office. Two years later, lawmakers limit this tax to fire insurance companies.
1933	Legislature replaces tax on the personal property of insurance companies with a franchise tax on either 0.2 percent of capital and surplus or 1.67 percent on gross premiums, whichever is less.
1971	Legislature increases rates to either 0.3 percent of capital and surplus or 2.5 percent on gross premiums, whichever is less.
1979	Legislature increases the 0.5 percent tax on fire insurance gross premiums to 0.75 percent.
1981	Legislature increases the tax rate on capital and surplus to 0.6 percent.
1989	The Ohio Life and Health Guaranty Association is established, along with a 100 percent tax credit for assessments paid by participating members.

1997	<p>Legislature enacts HB 215, which phased in the following changes between 1999 and 2003:</p> <ul style="list-style-type: none"> <li>gradual reduction in the gross premium tax rate from 2.5 percent to 1.4 percent.</li> <li>gradual elimination of the capital and surplus tax.</li> <li>minimum tax of \$250 (instead of \$200).</li> <li>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).</li> </ul>
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## Comparisons with Other States

(as of July 1, 2015)

State	Fee
Georgia	In general, the tax rate is 2.25 percent of gross direct premiums. Rate may be abated or reduced based upon percentage of total assets invested in qualified Georgia property.
Indiana	1.3 percent on gross premiums. Fire insurance tax is 0.5 percent of gross premiums received from Indiana-based policies for fire risks.
Kentucky	In general, the rate is 2 percent of all amounts paid. Additionally, a 1.8 percent surcharge applies on premiums for Kentucky risks. Fire insurers pay an additional 0.75 percent on premiums. Life insurance companies may make an irrevocable election to pay a tax on taxable capital and a reduced tax on premium receipts, in lieu of the gross premiums tax of 1.5 percent.
Michigan	The rate is equal to 1.25 percent of gross direct premiums.
North Carolina	1.9 percent of gross premiums. There is an additional 0.74 percent on property coverage contracts.
Ohio	1.4 percent of gross premiums. Fire insurers pay an additional 0.75 percent on premiums derived from fire insurance.
Pennsylvania	2 percent on gross premiums.
Tennessee	2.5 percent of gross premiums, with a 1.75 percent rate for life insurance companies. Companies writing fire insurance pay an additional 0.75 percent.
Texas	1.6 percent of taxable gross premiums for property and casualty insurance; 1.75 percent for life, health and accident insurance. A half tax rate of 0.875 percent is due on the first \$450,000 of life insurance or HMO premiums.
West Virginia	3 percent of gross premiums. An additional 1 percent applies generally on taxable premiums for casualty and fire insurance policies.