



Foreign Insurance Premium Tax

The state has imposed a tax on insurance companies since the 1830s. A foreign insurance company is every insurance company not organized under Ohio law. The tax is administered by the Ohio Department of Insurance. In fiscal year 2015, total foreign insurance premium taxes were \$287.3 million, with \$266.6 million going to the state's General Revenue Fund and the remaining \$20.7 million to the state's Fire Marshal Fund.

Fiscal Year	General Revenue Fund	Fire Marshal Fund	Total
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
2015	266.6	20.7	287.3

Taxpayer

(Ohio Revised Code 5725.01, 5729.01, 5729.03)

The tax is paid by foreign insurance companies—insurance companies not organized under Ohio law.

Tax Base

(R.C. 5725.03)

The tax applies to the gross amount of premiums from policies for Ohio risks received by foreign insurance companies.

Rates

(R.C. 5729.03)

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

Exemptions

(R.C. 5729.03, 1731.07, 7 C.F.R. 400.352)

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

The following credits are also applicable to the foreign 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

Retaliatory provisions (R.C. 5729.06): Foreign insurers are subject to retaliatory provisions. If taxes imposed by another state on an insurance company organized in Ohio and doing business in that state exceed Ohio's insurance taxes, like amounts are charged against that state's insurance companies doing business in Ohio.

Health Insuring Corporations (R.C. 5729.03, 1731.07): Foreign 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 alliances 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. 5729.05, 3909.10, 3929.30, 1751.32, 3931.06)

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

- October 15: advance payment of an amount equal to half of the previous year's tax liability before credits.
- March 1: payment of balance of taxes for the current year, and annual statement or report due.
- 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. Chapters 5725, 5729, R.C. 3737.71.

Recent Legislation

House Bill 59, 130th General Assembly

Authorizes a mutual or stock insurance company to exclude from its taxable gross premiums any workers' compensation insurance premium deposits, if (1) the company distributes a portion of the premiums it collects during a policy year back to its policyholders, (2) the deposits exceed the net cost of the insurance to the insured, and (3) the excess is returned ratably to the company's policyholders at the end of the policy year

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 HB 215, which phased in the following changes between 1999 and 2003: <ul style="list-style-type: none"> • gradual reduction in the gross premium tax rate from 2.5 percent to 1.4 percent. • gradual elimination of the capital and surplus tax. • minimum tax of \$250 (instead of \$200). • 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, 2015)

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