

## INSURANCE TAX - FOREIGN

### TAX BASE

Gross amount of premiums received from policies for Ohio risks during preceding calendar year less specified deductions.

### RATE

The rate for foreign insurers is being reduced. In tax year 2002 it is 1.62%. From 2003 and thereafter, it is 1.4%. In tax year 2002 the minimum tax is \$200. In tax year 2003 and thereafter the minimum tax is \$250.

### REVENUE (IN MILLIONS)

| Fiscal Year | General Revenue Fund | Other <sup>(1)</sup> | Total   |
|-------------|----------------------|----------------------|---------|
| 1998        | \$280.9              | \$6.5                | \$287.4 |
| 1999        | 271.6                | 7.2                  | 278.8   |
| 2000        | 252.3                | 7.9                  | 260.2   |
| 2001        | 220.6                | 11.7                 | 232.3   |

<sup>(1)</sup> Includes Fire Marshal Fund and Attorney General Claims Fund.

### DISPOSITION OF REVENUE

General Revenue Fund.  
Fire Marshal's Fund.

### SECTIONS OF OHIO REVISED CODE

Chapter 5729 and section 3737.71.

### RESPONSIBILITY FOR ADMINISTRATION

Director, Department of Insurance.

### REMITTER OF TAX

Insurance companies not organized under Ohio law.

### PAYMENT DATES

October 15: Advance payment of 1/2 of previous year's tax.  
March 1: Payment of balance of previous year's tax.  
June 15: Final payment or refund.

*Note: Tax year is defined as the year in which the payments are filed. Payments are based upon the previous year's business activity.*

## INSURANCE TAX - FOREIGN

### SPECIAL PROVISIONS / CREDITS

A tax credit for insurer groups with less than \$75 million in total premium sales to be phased in from tax year 1999 to 2003, with a maximum credit of \$200,000 in year 2003. In 2002, the maximum credit allowed is \$160,000.

An additional 0.75% tax is levied on the gross premium receipts derived from fire insurance and that portion of the premium reasonably allocable to fire insurance included in other coverages.

Foreign insurers that are health insurance corporations are taxed at the rate of 1% of all premium payments, exclusive of payments received under Medicare and Medicaid.

### HISTORY OF MAJOR CHANGES

- 1830 • 4% tax on profits from premiums (minimum of \$50).
- 1852 • Value of gross premiums subject to property tax.
- 1888 • Supplemental tax on gross premiums that, when added to the property tax, would produce 2.5% of gross premiums.
- 1902 • Direct 2.5% tax on gross premiums.
- 1997 • Tax rate for foreign insurers is 1.62% for tax year 2002. In 2003 and thereafter, the rate will be 1.4%. A minimum tax of \$200 is for tax year 2002. In tax year 2003 and thereafter the minimum tax is \$250.
- Tax credit for insurer groups with less than \$50 million in Ohio premium sales to be phased in from tax year 1999 to 2003. After July 1, 1999, the threshold is increased to \$75 million.

### COMPARISON WITH OTHER STATES

| State      | Tax Rate*   |
|------------|---|
| California | Foreign insurers subject to retaliatory provisions.   |
| Florida    | Foreign insurers, other than those maintaining a regional office in Florida, subject to retaliatory provisions. |

## INSURANCE TAX - FOREIGN

### COMPARISON WITH OTHER STATES (con't.)

|                      |   |
|----------------------|---|
| <b>Illinois</b>      | Foreign insurers subject to retaliatory provisions.   |
| <b>Indiana</b>       | Foreign insurers subject to retaliatory provisions.   |
| <b>Kentucky</b>      | Foreign insurers subject to retaliatory provisions.   |
| <b>Massachusetts</b> | Foreign insurers pay 2% plus a surtax of 14% of the tax imposed. The 14% surtax does not apply if the foreign insurers are subject to the retaliatory provisions.   |
| <b>Michigan</b>      | Foreign insurers pay the greater of the retaliatory tax or the single business tax.   |
| <b>New Jersey</b>    | Foreign insurers are subject to retaliatory provisions.   |
| <b>New York</b>      | Foreign insurers are subject to retaliatory provisions.   |
| <b>Ohio</b>          | <b>Foreign insurers are subject to retaliatory provisions. In tax year 2002 the rate is 1.62% of premiums if the retaliatory provisions do not apply. In 2003, the rate will be 1.4%.</b>                                   |
| <b>Pennsylvania</b>  | Foreign insurers are subject to retaliatory provisions.   |
| <b>Texas</b>         | Foreign insurers are subject to retaliatory provisions. Reciprocal insurers that do not elect to be taxed under provisions applicable to title, life, and accident and health insurers are taxed at 1.7% of gross premiums. |
| <b>West Virginia</b> | Foreign insurers subject to retaliatory provisions.   |

\* In general, the retaliatory tax rate imposed is either the domestic rate of the state taxing the foreign insurer or the rate of the state in which the foreign insurer is incorporated, whichever is greater.