INSURANCE TAX – DOMESTIC

TAXPAYER

Insurance companies organized under Ohio law.

TAX BASE

The former tax base and calculation structure of the domestic insurance tax has been phased out. In 2002, taxpayers had to determine both the old and new tax bases. In 2003, the new base only became applicable.

Old base: Either capital and surplus, or gross premiums, whichever base yielded less tax.
New base: Gross premiums.

RATES

In 2002, an insurance company paid 20 percent of the tax calculated under the old base and rates, plus 80 percent of the tax calculated under the new base and rate. In 2003, only the new base and rate is applicable.

Old tax base rates: 0.6 percent of capital and surplus, or 2.5 percent of gross premiums, whichever yielded less tax.

New tax base rates: 1.4 percent of gross premiums.

The minimum tax increased in 2003 to $250. In 2002, the minimum tax was $200.

MAJOR EXEMPTIONS

Annuities, deposit-type life insurance contract funds, Medicaid, government-paid portion of Medicare, and federal crop insurance.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund
2000	$88.2
2001	109.3
2002	132.5
2003	160.3

DISPOSITION OF REVENUE

General Revenue Fund.

INSURANCE TAX – DOMESTIC

PAYMENT DATES

The Director of the Department of Insurance certifies the tax liability of each insurance company to the Treasurer of State by the first Monday of May. Within 20 days, the Treasurer issues a tax bill with payment due 20 to 30 days from the date the tax bill is mailed.

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

SPECIAL PROVISIONS/CREDITS

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

Members of the Ohio Life and Health Guaranty Association are subject to assessment by the association. (The association is organized not-for-profit under the Ohio Revised Code and is operated by a board of directors. Insurance companies are required to be members as a condition of transacting business in the state.) Should a member become impaired or insolvent, the other members are assessed at a rate not to exceed 2.0 percent of their gross premiums to protect policy holders of the impaired or insolvent insurers. A 100 percent tax credit is given to members on assessments paid to the association.

Domestic insurers that are health insurance corporations are taxed at the rate of 1.0 percent of all premium payments, exclusive of payments received by Medicare and Medicaid.

An additional 0.75 percent 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.

SECTIONS OF OHIO REVISED CODE

Sections 5725.18 to 5725.24 and 3737.71.

RESPONSIBILITY FOR ADMINISTRATION

Director, Department of Insurance.

HISTORY OF MAJOR CHANGES

1830 • 4.0 percent property tax on dividends paid by insurance companies.

INSURANCE TAX – DOMESTIC

1852 • Insurance companies required to list real property, tangible property, money, and credits for taxation.

1933 • Changed to a franchise tax on the smaller of either:
  0.2 percent of capital and surplus.
  1.67 percent on premiums.

1971 • Franchise tax rate changed to the smaller of either:
  0.3 percent of capital and surplus.
  2.5 percent on gross premiums.

1981 • Capital and surplus rate increased to 0.6 percent.

1989 • Established the Ohio Life and Health Guaranty Association and assessment; 100 percent tax credit for assessment paid by participating insurers.

1997 • Rate for domestic insurers reduced to 1.4 percent and phased in over tax years 1999 to 2002. Minimum tax of $250 phased in over same period.
• Tax credit for insurer groups with less than $50 million in countrywide premium sales phased in from tax year 1999 to 2002. The threshold was increased to $75 million effective July 1, 1999.
• Capital and surplus tax base phased out over tax years 1999 through 2002. Beginning with tax year 2003, tax is solely on gross premiums.

COMPARISONS WITH OTHER STATES (AS OF 12/03)

State	Tax Rate*(1)*
California	In general, 2.35 percent of gross premiums; federally exempt pensions and profit-sharing plans, 0.5 percent; ocean marine insurers, 5.0 percent; surplus line brokers and non-admitted insurance, 3.0 percent.

Note: *(1) Other rates may apply to specific types of insurance and insurance providers.*

INSURANCE TAX – DOMESTIC

Florida	Annuities 1.0 percent *(2)*; wet marine and transportation 0.75 percent; commercial self-insurance fund, medical malpractice 1.6 percent; all others 1.75 percent of gross premiums.
Illinois	In general, 2.0 percent; surplus line 3.5 percent of gross premiums.
Indiana	Premiums taxed at 1.8 percent, or may elect to pay the gross income tax.
Kentucky	In general, 2.0 percent of gross premiums.
Massachusetts	Rate of 2.0 percent of taxable gross premiums, plus a surtax of 14 percent of the tax imposed.
Michigan	Single-business tax of 1.0735 percent in tax year 2003.
New Jersey	In general, 1.0 percent of gross premiums on group accident and health; all others 2.1 percent.
New York	Rate of 0.7 percent for all premiums received by corporations licensed as life and health insurers, including premiums on accident and health contracts; 1.3 percent for all premiums written by corporations licensed as property and casualty insurers; 1.0 percent for all premiums on accident and health contracts. *(3)*
Ohio	**Rate of 1.4 percent of gross premiums.**

Notes: *(2) Domestic insurers maintaining their home offices in Florida are exempt. (3) Insurance companies also pay New York corporate franchise tax.*

INSURANCE TAX – DOMESTIC

Pennsylvania	Rate of 2.0 percent of gross premiums.
Texas	Rates of 1.35 percent to 1.75 percent, depending on insurance product lines.
West Virginia	Rates of 4.0 percent for fire and casualty; 3.0 percent for others; annuities 1.0 percent.