

## Insurance Tax – Domestic

### Taxpayer

Insurance companies organized under Ohio law.

### Tax Base

Gross amount of premiums from policies for Ohio risks by insurance companies organized under Ohio law.

### Rates

- 1.4% of gross premiums.
- The minimum tax is \$250.

### 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
2001	\$109.3
2002	132.5
2003	160.3
2004	166.1
2005	171.4

### Disposition of Revenue

- Revenue from additional 0.75% tax on fire insurance to the Fire Marshal Fund (see **Special Provisions**).
- Remainder to the General Revenue Fund.

### Payment Dates

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 20 to 30 days from the date the tax bill is mailed.

**Note:** *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.*

### Special Provisions/Credits

A tax credit for insurer groups with less than \$75 million in total country wide premiums was phased-in from tax year 1999

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to 2003, resulting in a maximum credit of \$200,000 in tax year 2003 and beyond.

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% of their gross premiums to protect policy holders of the impaired or insolvent insurers. A 100% tax credit is given to members equal to assessments paid to the association.

Domestic insurers that are health insurance corporations are taxed at the rate of 1.0% of all premium payments, exclusive of payments received for Medicaid and the government-paid portion of Medicare.

An additional 0.75% tax is levied on the gross premiums 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, 5725.31, 5725.32, 5729.031 and 3737.71.

**Responsibility for Administration**

Director, Ohio Department of Insurance.

**History of Major Changes**

- 1830 • 4.0% property tax on dividends paid by insurance companies.
- 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% of capital and surplus, or 1.67% on premiums.
- 1971 • Franchise tax rate changed to the smaller of either: 0.3% of capital and surplus, or 2.5% on gross premiums.

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- 1981 • Capital and surplus rate increased to 0.6%.
- 1989 • Established the Ohio Life and Health Guaranty Association and assessment; 100% tax credit for assessment paid by participating insurers.
- 1997 • Rate for domestic insurers reduced to 1.4% and phased-in over tax years 1999 to 2002. Minimum tax of \$250 (increased from \$200) established beginning in 2003.
  - Tax credit for insurer groups with less than \$75 million in country-wide premiums phased-in from tax year 1999 to 2002. The threshold was \$50 million prior to July 1, 1999.
  - Capital and surplus tax base phased-out over tax years 1999 through 2002. Beginning with tax year 2003, tax based solely on gross premiums.

**Comparisons with Other States (As of 04/06)**

State	Tax Rate <sup>(1)</sup>
<b>California</b>	In general, 2.35% of gross premiums; federally exempt pensions and profit-sharing plans, 0.5%; surplus line brokers and non-admitted insurance, 3.0%.
<b>Florida</b>	Annuities 1.0% <sup>(2)</sup> ; wet marine and transportation, 0.75%; assessable mutual insurers, 1.6%; all others, 1.75% of gross premiums. Fire marshal assessment is 1.0%; surplus lines tax is 5.0%.
<b>Illinois</b>	0.5% of net premiums written in the state, except 0.4% for health maintenance organizations; surplus lines, 3.5% of gross premiums.

**Notes:** (1)Other rates may apply to specific types of insurance and insurance providers. (2)Domestic insurers maintaining their home office in Florida are exempt. (3)Insurance companies also pay New York corporate franchise tax.

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## Comparisons with Other States (As of 04/06)

State	Tax Rate(1)
<b>Indiana</b>	Premiums taxed at 1.3%, or companies may elect to pay the gross income tax; fire insurance, 0.5% of gross premiums received from Indiana-based policies.
<b>Kentucky</b>	In general, 2.0% of gross premiums. Fire insurers pay an additional surtax of 0.75% of premiums.
<b>Massachusetts</b>	2.0% of taxable gross premiums, plus a surtax of 14% of the tax imposed.
<b>Michigan</b>	Single-business tax of 1.9%, plus 1.26% surcharge of taxpayers' liability.
<b>New Jersey</b>	In general, 1.05% of gross premiums on group accident and health; all others, 2.1%. Surplus lines are taxed at 3.0%.
<b>New York</b>	1.75% for all premiums on accident and health contracts; 2.0% on other non-life insurance premiums.(3)
<b>Pennsylvania</b>	2.0% of gross premiums; surplus line insurers, 3.0%.
<b>Texas</b>	Rates of 1.35% to 4.85%, depending on insurance product lines.
<b>West Virginia</b>	Rates of 2.0% to 4.0%, depending on insurance product lines. Additional surtax of 0.5% on fire policies, except farmers' fire mutual policies.

**Notes:** (1)Other rates may apply to specific types of insurance and insurance providers. (2)Domestic insurers maintaining their home office in Florida are exempt. (3)Insurance companies also pay New York corporate franchise tax.