

STATE TAXES
INSURANCE TAX – FOREIGN

Taxpayer

Insurance companies not organized under Ohio law (i.e., located out of state).

Tax Base

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

Rate

The rate for foreign insurers 1.4%. 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 | Other* | Total |
|-------------|----------------------|--------|---------|
| 2002 | \$214.3 | \$15.9 | \$230.2 |
| 2003 | 216.4 | 17.4 | 233.8 |
| 2004 | 230.5 | 22.3 | 252.8 |
| 2005 | 242.9 | 21.1 | 264.0 |
| 2006 | 248.8 | 20.2 | 269.0 |

Note: * Includes Fire Marshal Fund and Attorney General Claims Fund.

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

- October 15: Advance payment of ½ of previous year's tax before credits.
- March 1: Payment of balance of taxes for current tax year.
- June 15: Final payment or refund.

The tax year is 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 country-wide premiums was phased in from tax year 1999 to 2003, with a maximum credit of \$200,000 as of 2003.

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.

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

Foreign insurers are subject to retaliatory provisions in all states; meaning taxes or fees imposed by one state or nation on an insurance company of any state doing business in that location are also imposed on that state or nation's companies doing business in the other state.

Sections of Ohio Revised Code

Chapter 5729 and section 3737.71.

Responsibility for Administration

Director, Ohio Department of Insurance.

History of Major Changes

- 1830 • 4.0% tax on profits from premiums (minimum tax 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 equal 2.5% of gross premiums.
- 1902 • Direct 2.5% tax on gross premiums.
- 1997 • Tax rate for foreign insurers established at 1.4% for tax year 2003 and thereafter (decreased from 1.62% in 2002). A minimum tax of \$250 established for tax year 2003 and thereafter (minimum in 2002 was \$200).
- Tax credit for insurer groups with less than \$75 million in country-wide premiums was phased in from tax year 1999 to 2003. Prior to July 1, 1999, the threshold was \$50 million.



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Comparisons with Other States (As of 05/07)

| State | Tax Rate* |
|----------------------|--|
| Indiana | Foreign insurers pay 1.3% of gross premiums. |
| Massachusetts | Foreign insurers pay 2.0% plus surtax of 14% of the tax imposed. Foreign insurers are also subject to retaliatory provisions, but the 14% surtax does not apply to those retaliatory provisions. |
| Michigan | Foreign insurers pay the greater of the retaliatory tax or the single business tax. |

In **California, Florida, Illinois, Kentucky, New Jersey, New York, Pennsylvania, Texas, and West Virginia**, foreign insurance companies are taxed the same as domestic insurance companies except that foreign insurance companies are also subject to retaliatory taxes.

In virtually all states, foreign insurers are subject to retaliatory provisions.

Note: * 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.