



## Insurance Tax – Foreign

### Taxpayer

The tax applies to insurance companies not organized under Ohio law – meaning, those based out of state.

### Tax Base

The tax applies to the gross amount of premiums from policies for Ohio risks during the preceding calendar year, less specified deductions.

### Rate

The tax rate for foreign insurers is 1.4 percent. The minimum tax is \$250.

### Major Exemptions

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

### Revenue (In Millions)

Fiscal Year	General Revenue Fund	Other <sup>1</sup>	Total
2004	\$230.5	\$22.3	\$252.8
2005	242.9	21.1	264.0
2006	248.8	20.2	269.0
2007	256.1	21.9	278.0
2008	267.3	17.3	284.6

### Disposition of Revenue

Revenue is distributed to the General Revenue Fund, except for revenue from an additional 0.75 percent tax on fire insurance, which is distributed to the Fire Marshal Fund along with 20 percent of retaliatory taxes on companies writing fire premiums (see **Special Provisions**).

### Payment Dates

The tax year is the year in which the tax returns are due to be filed. Tax liabilities are based upon the previous year's business activity. Payment dates are as follows:

- Oct. 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 current tax year.
- June 15: Final payment or refund.

<sup>1</sup> The "Other" category includes distributions to the Fire Marshal Fund and the Attorney General Claims Fund.

## Special Provisions/Credits

### Retaliatory provisions:

Foreign insurers are subject to retaliatory provisions, meaning that the 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 insurance companies doing business in Ohio.

### Fire insurance tax:

An additional 0.75 percent 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. However, when retaliatory tax provisions are in effect – because the company's home state or country levies taxes and fees that are higher than those charged by Ohio for similar business – there is no fire insurance tax. Instead, the aggregate of taxes (premium taxes and fire insurance taxes) and excess fees, which together comprise the total tax due, is classified as retaliatory tax. Twenty percent of the retaliatory taxes of foreign insurers writing fire insurance is then allocated to the fire insurance tax fund.

### Credit for smaller insurance groups:

Insurer groups with less than \$75 million in total U.S. premiums are eligible for a credit of up to \$200,000 against annual tax liability. The closer groups get to the \$75 million mark, the lower the value of this credit.

### Health insurance corporations:

Foreign insurers that are health insurance corporations are taxed at the rate of 1 percent of all premium payments, excluding payments received under Medicaid, Medicare Part D, and the government-paid portion of Medicare.

## Sections of Ohio Revised Code

Chapter 5729 and section 3737.71.

## Responsibility for Administration

Director, Ohio Department of Insurance.

## History of Major Changes

- 1830** General Assembly enacts a 4 percent tax on profits from premiums, with a minimum tax of \$50.
- 1831** The 4 percent tax is repealed; legislature enacts 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 become subject to the property tax.
- 1888** General Assembly enacts a supplemental tax on gross premiums that, when added to the property tax, would equal 2.5 percent of gross premiums. Law includes a re-

taliatory tax on companies from states that charge higher tax rates on insurance companies organized in Ohio.

- 1902** Legislature converts existing taxes on foreign insurance companies to a direct 2.5 percent tax on gross premiums.
- 1997** Legislature enacts House Bill 215, which gradually phases in several major changes between 1999 and 2003. These changes include:
- A gradual reduction of the rate from 2.5 percent to 1.4 percent.
  - A minimum tax of \$250 (instead of \$200).
  - An expansion of the tax credit for smaller insurer groups to include those with less than \$75 million in U.S. premiums. Previously, the limit had been \$50 million.

## Comparisons with Other States (As of 12/08)

In **Indiana**, foreign insurers pay 1.3 percent of gross premiums.

In **California, Florida, Illinois, Kentucky, Massachusetts, Michigan, New Jersey, New York, Ohio, 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 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.