Insurance Tax – Domestic

Taxpayer

The tax is paid by insurance companies organized under Ohio law.

Tax Base

The tax applies to the gross amount of premiums from policies for Ohio risks by insurance companies organized under Ohio law.

Rates

The tax rate is 1.4 percent of gross premiums. The minimum tax is $250.

Major Exemptions

The tax does not apply to annuities, deposit-type life insurance contract funds, Medicaid payments received before Oct. 1, 2009, Medicare payments, small employer health care alliance premiums, or federal crop insurance premiums.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Other[1]	Total
2006	$170.4	$3.7	$174.1
2007	169.6	2.8	172.4
2008	154.6	4.7	159.3
2009	155.3	4.7	160.0
2010	161.7	4.9	166.6

Disposition of Revenue

Revenue is distributed to the General Revenue Fund, except for revenue from an additional 0.75 percent tax on fire insurance (see **Special Provisions**), which is distributed to the Fire Marshal 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.

The 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

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.

Ohio Life and Health Guaranty Association credit: Insurance companies receive a tax credit for the full amount of assessments paid into the Ohio Life and Health Guaranty Association. By law, insurance companies are required to be members of the association, a not-for-profit association created by Ohio law, as a condition of transacting business in Ohio. Should a member become impaired or insolvent, the other members are assessed by the association at a rate of up to 2 percent of gross premiums to protect policyholders of the impaired or insolvent insurers.

Health insurance corporations: Domestic insurers that are health insurance corporations are taxed at the rate of 1 percent of all premium payments, excluding Medicare payments and payments received for Medicaid prior to Oct. 1, 2009.

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 insurance coverages.

Sections of Ohio Revised Code

Sections 5725.18 to 5725.24, 5725.31, 5725.32, 5725.98, 5729.031, 1731.07, and 3737.71.

Responsibility for Administration

Director, Ohio Department of Insurance.

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

History of Major Changes

1830	General Assembly enacts a 4 percent tax on dividends paid by insurance companies.
1831	The 4 percent tax is repealed; legislature enacts 5 percent tax on the dividends of "bank, insurance and bridge companies."
1846	Legislature increases tax to 6 percent on gross profits.
1852	New Ohio constitution requires the taxation of all real and personal property according to uniform rule, and that corporation property be subject to taxation, same as for individuals. Legislature requires all insurance companies to list real property, tangible property, money and credits for taxation as property.
1900	Legislature enacts a 0.5 percent tax on the gross premiums of all insurance companies to support the state fire marshal office. Two years later, lawmakers limit this tax to fire insurance companies.
1933	General Assembly replaces tax on the personal property of insurance companies with a franchise tax on either 0.2 percent of capital and surplus or 1.67 percent on gross premiums, whichever is less.
1971	Legislature increases rates to either 0.3 percent of capital and surplus or 2.5 percent on gross premiums, whichever is less.
1979	Legislature replaces 0.5 percent tax on fire insurance gross premiums with a new 0.75 percent tax.
1981	Legislature increases tax rate on capital and surplus to 0.6 percent.
1989	The Ohio Life and Health Guaranty Association is established, along with a 100 percent tax credit for assessments paid by participating insurers.
1997	General Assembly enacts House Bill 215, which gradually phases in several major changes between 1999 and 2003. Changes include: • A gradual reduction in the gross premium tax rate from 2.5 percent to 1.4 percent. • A gradual elimination of the capital and surplus tax base. • 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 December, 2009)

In addition to the rates listed below, other rates may apply to specific types of insurance or insurance providers.

California

In general, the tax rate is 2.35 percent of gross premiums. The rate on federally-exempt pensions and profit-sharing plans is 0.5 percent.

Florida

A 1 percent rate applies to annuities, a 0.75 percent rate applies to wet marine and transportation insurance and a 1.6 percent rate applies to self-insurers. All others pay 1.75 percent of gross premiums. Florida's fire marshal assessment is 1 percent.

Illinois

Illinois' insurance tax is, in general, 0.5 percent of net premiums on policies written in the state and 0.4 percent of health premiums.[1] The Illinois fire marshal tax is 1 percent.

Indiana

Companies are subject to Indiana's gross income tax unless they elect to pay a 1.3 percent tax on gross premiums. The fire insurance tax is 0.5 percent of gross premiums received from Indiana-based policies.

Kentucky

In general, the rate is 2 percent of gross premiums. Additionally, a 1.5 percent surcharge applies on premiums for Kentucky risks. Fire insurers pay an additional surtax of 0.75 percent of premiums. Life insurance companies may elect to pay a tax on intangible property in lieu of the gross premiums tax of 1.5 percent on life insurers.

Massachusetts

The rate is 2 percent of taxable gross premiums, plus a surtax of 14 percent of the tax imposed.

Michigan

The rate is equal to 1.25 percent of gross direct premiums.

New Jersey

In general, a rate of 1.05 percent applies to the gross premiums on group accident and

1 Insurers are also subject to Illinois income and replacement taxes. Certain offsets and limits may apply.

health policies. A 2.1 percent rate applies to all others.

New York

A 1.75 percent tax rate applies to all premiums on accident and health contracts. A 2 percent rate applies to other, non-life insurance premiums.[1]

Ohio

The rate is 1.4 percent of gross premiums. An additional tax of 0.75 percent applies to fire insurance gross premiums.

Pennsylvania

The rate is 2 percent of gross premiums.

Texas

Life, accident, and health insurers are taxed at 1.75 percent of gross premiums; most others are taxed at 1.6 percent.

West Virginia

Rates of 3 percent to 5 percent apply, depending on insurance product lines.

1 Insurance companies also pay the New York corporate franchise tax.