Georgia Department of Audits and Accounts
Performance Audit Division

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Why we did this review

This special examination of premium taxes was conducted at the request of the Senate Appropriations Committee. The Committee requested that we provide a primer that included the following:

- A review of the mechanics of premium taxes.
- A review of the deductions, credits, exemptions, and other tax expenditures associated with premium taxes.

About the premium tax

Premium taxes are imposed as a percentage of insurance premiums collected on individuals, property, or risks in the state. States typically impose a premium tax on insurance companies instead of an income tax.

Georgia imposes state and local premium taxes, as well as retaliatory taxes. Revenue from the state premium tax and retaliatory tax is deposited into the state's general fund, while local premium taxes are distributed to city and county governments.

All three taxes are administered by the Office of the Commissioner of Insurance.

Premium Taxes

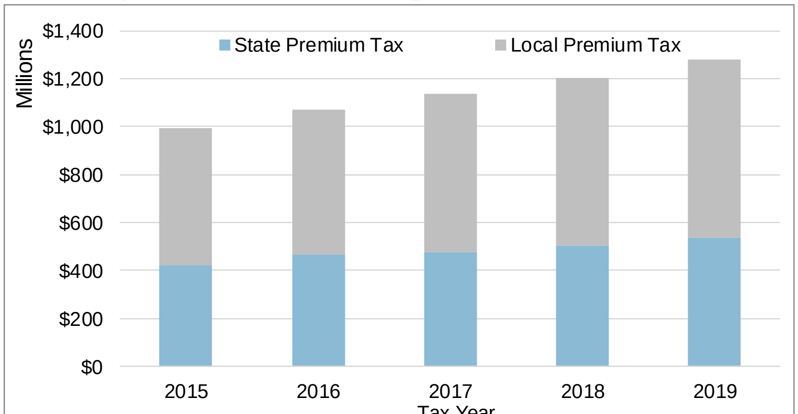
Requested Information on Premium Taxes and Related Tax Expenditures

What we found

The Office of the Commissioner of Insurance (OCI) collects premium taxes for the state and for local governments. State and local premium taxes are collected from more than 1,000 entities each year, while state retaliatory taxes are collected from fewer entities. Premium tax provisions vary by company and insurance type. For example, certain companies or insurance are exempt from taxation, and local premium tax rates differ for life insurance and property and casualty insurance companies.

Premium tax collections for tax year 2019 totaled $1.3 billion.

As shown in the chart below, total premium taxes collected by OCI grew from $993.5 million for tax year 2015 to $1.3 billion for tax year 2019, an increase of 29%. For 2019, $740.6 million (58%) were local premium taxes and $536.8 million (42%) were state premium taxes. Just $1.1 million (0.1%) were retaliatory taxes, which are levied on out-of-state companies when their home state imposes higher taxes than Georgia does for a similar company. Retaliatory tax collections



*The retaliatory tax ranged from approximately $820,000 to $1.2 million. However, the amount is too small to be seen in the chart, so it has not been included.

Source: DOAA analysis of OCI data

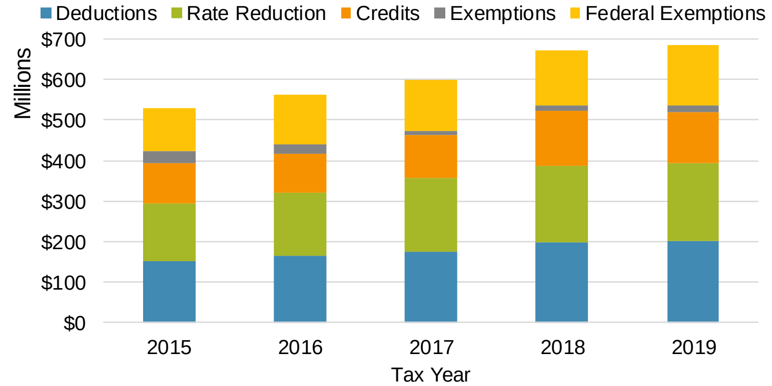
are low because Georgia's premium tax rates are high in comparison to most other states—partly due to the local tax, which is imposed by only six other states.

Companies face differing tax treatment based on the types of insurance they issue and where they are based. For 2019, life insurance companies represented 53% of all premiums in the state but 28% ($353.5 million) of state and local taxes. Property and casualty companies collected 47% of premiums and represented 72% ($924.9 million) of taxes. For companies with domicile data, domestic companies (those based in Georgia) collected 35% of premiums and paid 15% ($177.1 million) of state and local taxes, while out-of-state companies represented 65% of premiums and 85% ($1.0 billion) of state and local taxes paid.

State and federal tax expenditures reduced 2019 premium taxes by almost $700 million.

Tax expenditures are statutory provisions that reduce tax liability. As shown in the chart below, premium tax expenditures totaled $695.8 million in forgone state taxes for the 2019 tax year. Of this amount, 78% resulted from state provisions, and 22% resulted from federal provisions.

There are four types of tax expenditures: deductions, rate reductions, credits, and exemptions.



*Graph excludes the retaliatory tax deduction and the job tax credit, due to confidentiality concerns.

Source: DOAA analysis of OCI data

- Deductions are a dollar-for-dollar tax offset based on another expense insurers must pay. For example, life insurance companies can deduct local taxes from their state taxes. For tax year 2019, Georgia's four deductions reduced state tax revenue by more than $200 million.
- Rate reductions allow companies to reduce their tax rate. Georgia's rate reduction allowance, which reduces rates in exchange for company investments in the state, resulted in $191.5 million in forgone revenue in 2019.
- Credits incentivize certain activities and provide a dollar-for-dollar offset of taxes. Georgia has three premium tax credits; the low-income housing credits totaled $127.6 million in 2019.
- Exemptions prevent certain types of companies or insurance from being taxed. Exemptions totaled more than $130 million in 2019, with over $15.5 million due to eight state exemptions (e.g., high-deductible health plans) and the remaining due to federal exemptions (e.g., Medicare).

Effective premium tax rates vary by insurance company type and a company's state of domicile.

The effective tax rate is the rate at which an insurer is taxed on premiums after reductions due to tax expenditures. Insurers paid a median effective tax rate of 4.0% in state and local taxes in 2019.

Effective tax rates vary based on company type. The median tax rate was 2.0% for life insurance companies and 4.0% for property and casualty insurance companies in 2019. The difference is primarily due to lower local tax rates for life insurance companies. Additionally, domestic companies had a median tax rate of 0.4% in 2019, while out-of-state companies had a median rate of 4.7%. Some tax expenditures are limited to or more likely to benefit domestic companies, and domestic companies do not pay state retaliatory taxes.

What we recommend

This report is intended to provide a primer of the state's premium taxes as requested by the Senate Appropriations Committee. It does not include findings or recommendations.

Glossary

Admitted Insurer
Insurance company licensed through a certificate of authority to operate in the state. The most common types of insurance—such as homeowners, healthcare, and automotive—are acquired from an admitted company. May also be referred to as an authorized or licensed insurer.

Alien Insurer
Insurance entity formed and based in a country other than the U.S.

Captive Insurer
Insurance company that is established and wholly owned by one or more parent companies for the purpose of insuring the parent companies' risks. They are a subgroup of admitted companies.

Credit
Dollar-for-dollar offset of premium taxes owed. In Georgia, credits are non-refundable, but unused credit amounts can be carried forward to future tax years.

Deduction
Dollar-for-dollar tax offset of premium taxes that function similar to a credit. In Georgia, deductions allow insurers to reduce premium taxes owed to offset certain expenses, such as municipal license fees.

Domestic Insurer
Insurance entity formed and based in Georgia.

Effective Tax Rate
Rate at which an insurer is actually taxed on premiums after reductions due to tax expenditures. Rate is equal to tax liability divided by premiums.

Exemptions
Certain types of insurance or insurance companies that are not subject to premium taxes due to federal or state law or regulation.

Foreign Insurer
Insurance entity formed and based in a state other than Georgia.

Gross Direct Premiums
The amount paid by insured individuals or entities in exchange for coverage. In Georgia, the term does not include annuities and reinsurance, or dividends paid to policyholders by admitted companies.

Individual Procurement
Property and casualty insurance purchased directly from a non-admitted insurer. For example, a doctor may purchase medical malpractice insurance directly from an insurer not licensed in Georgia.

Insurance
Economic system for reducing the uncertainty of financial loss by transferring the risk of loss to a corporate insurer for a price. A contract details the types of events covered and the level of financial protection or reimbursement provided for an event.

Life Insurance
Insurance classification that includes life, accident, and health/sickness insurance. Under Georgia law, health maintenance organizations (HMOs) are treated the same as life insurers for tax purposes.

Mutual Company
Insurance company owned by its policyholders that distributes its profits back to policyholders, not shareholders.

National Association of Insurance Commissioners (NAIC)
Organization that supports states' regulation of the insurance industry and establishes uniform financial reporting for insurance companies. It assists in the coordination of insurance oversight among states.

Non-Admitted Insurance
Insurance coverage not available from an admitted insurer and instead purchased through a surplus lines broker, directly from the company (i.e., individual procurement), or through a risk retention group. For example, companies may purchase medical malpractice or day-care center liability insurance, when these risks are not covered by standard policies. May also be referred to as unauthorized insurance.

Premium Tax
Tax on insurance premiums related to insuring persons, property, or risks in the state.

Property & Casualty Insurance
Insurance classification related to risk to assets. Property and casualty insurance includes a wide range of risks, such as automotive, workers' compensation, flood, crop, and hail insurance. Under Georgia law, companies such as title insurance and prepaid legal services are treated the same as property and casualty insurers for tax purposes.

Retaliatory Tax
Tax paid by foreign and alien insurers if their home state or country imposes higher taxes and fees than Georgia charges similar insurers.

Risk Retention Group
Group-owned, non-admitted insurer that assumes and spreads risk among its members. Risk retention groups are limited to commercial liability insurance and can be formed as a stock or mutual company.

Self-Insurance
When a company internally retains the risk of loss rather than purchasing an insurance policy. For example, a company may choose to pay for its workers' healthcare claims as they arise instead of using a health insurance provider.

State of Domicile
State where the insurer is based or incorporated.

Surplus Lines Broker
Individual who obtains insurance on behalf of the consumer from an insurer not admitted to the state (i.e., broker of non-admitted insurance).

Tax Expenditure
A provision that reduces taxpayer liability by allowing for special treatment of a source of income or a certain type of expense. Georgia's premium tax expenditures include deductions, exemptions, credits, and rate reductions.

Tax Liability
Amount of taxes owed by taxpayer after accounting for tax expenditures.

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Purpose of the Special Examination

This report on premium taxes was conducted at the request of the Senate Appropriations Committee. The Committee asked that we provide a primer that included the following:

- A review of the mechanics of premium taxes.
- A review of the deductions, credits, exemptions, and other tax expenditures associated with premium taxes.

A description of the objectives, scope, and methodology used in this review is included in Appendix A. A draft of the report was provided to the Office of the Commissioner of Insurance (OCI) for review, and technical changes were made in response to comments.

Background

Insurance Industry

Insurance Classification

Insurance is a system designed to reduce the uncertainty of loss. Through a policy with an insurance company, the insured individual or entity receives financial protection or reimbursement for certain losses. Policies reduce the risk of financial losses resulting from damage or injury to the insured, their property, or a third party (liability). For example, an individual with automotive insurance pays premiums to an insurance company in exchange for compensation if their vehicle is damaged in an accident.

Insurance companies are generally classified as life or property and casualty, based on the type of risk involved.[1] As shown in **Exhibit 1,** the life insurance class is associated with risk to individuals personally (e.g., health insurance), while the property and casualty insurance class is associated with risk to assets (e.g., automotive insurance). These insurance classes may determine the tax exemptions and deductions companies qualify for, as well as their local premium tax rate.

Companies typically sell policies within either the life insurance class or the property and casualty insurance class. Life insurance companies exclusively sell life, accident, and/or health/sickness insurance. Property and casualty insurance covers a broad array of risks and includes specialized coverage such as flood or hail insurance. When a large parent company offers insurance in both insurance classes, the actual policies are typically sold by smaller, more specialized entities. For example, XYZ Insurance may advertise life insurance and homeowners' insurance, but the policies would be sold and administered by XYZ Life Insurance and XYZ Homeowners' Insurance, respectively. Approximately 500 life insurance companies and 1,100 property and casualty companies were operating in Georgia during 2019.

[1] While state statute specifies six classes of insurance, each can be placed into one of the broader industry classes of life insurance or property and casualty insurance. OCI associates all companies with one of the two broader classes. For more detail, see the objectives, scope, and methodology on page 50.

Exhibit 1
Classification of Insurance Policies and Companies

Insurance Classes[1]	
Life	Property and Casualty
Life, accident, and health/sickness, including health maintenance organizations (HMOs)	Homeowners, general liability, automotive, title, workers' compensation, flood, other more specialized risks (e.g., fire), etc.

Regulatory Classification	
Admitted	Non-Admitted
Companies that are authorized by the Office of the Commissioner of Insurance and sell traditional lines (i.e. types) of insurance. Most insurance purchased is acquired from an admitted company.	Entities that sell insurance not available from the traditional market. Non-admitted insurers are not subject to the same regulation by the Office of the Commissioner of Insurance. For example, companies may purchase medical malpractice or day-care center liability insurance, when these risks are not covered by standard policies. Non-admitted includes surplus lines, individual procurement, and risk retention groups (see glossary on page i).

Domicile State		
Domestic	Foreign	Alien
Georgia-based insurers	Insurers based in another state	Insurers based in another country

[1]While a large parent company may sell insurance in both insurance classes, actual policies are generally sold by their smaller, more specialized affiliates.
Source: O.C.G.A. Chapter 33 and documents from industry and other states

As shown in **Exhibit 1**, insurance is also classified by the extent to which it is regulated by the state. While the federal government regulates certain insurance types (e.g., federal flood insurance and self-insured group health plans), states are generally responsible for regulating insurance within their borders. The extent of the regulation is determined by whether the company is admitted, a status that also factors into the amount of premium taxes paid.

- *Admitted* – Admitted insurers are insurance companies licensed through a certificate of authority to operate in the state. They sell the types of policies typically purchased by most individuals and companies (e.g., homeowners', healthcare, automotive). Georgia's Office of the Commissioner of Insurance (OCI) licenses an insurance company after reviewing its policy rates and documents and verifying it has sufficient financial resources to pay claims. Additionally, admitted companies are typically members of a state guaranty association, which pays claims if an insurer becomes insolvent.[2] Captive companies are a subgroup of admitted insurers that are wholly owned by their insured members and subject to less regulation than other admitted insurers. There are approximately 1,650 admitted insurers licensed in Georgia, approximately 50 of which are captive companies.

- *Non-admitted* – Non-admitted insurers sell property and casualty insurance covering unique risks that are too costly for admitted insurers to cover. For example, individuals or companies may purchase medical malpractice or day care center liability insurance from the non-admitted market when these risks are not covered by standard, admitted policies. Non-admitted entities are subject to less regulation from OCI than admitted companies and are not eligible to become members of a state guaranty association. Consumers may purchase insurance from a non-admitted insurer in one of the following three ways:
    - Through a surplus lines broker, an intermediary who obtains coverage from an insurer on behalf of the consumer. OCI staff indicated approximately 2,000 surplus line brokers operate in the state, although only about 700 collect insurance premiums in a given year.
    - Directly from the company (known as individual procurement). There are typically 35 to 50 entities a year that report purchases of insurance directly for insurance premium taxes.
    - Through a risk retention group, a group-owned company that assumes and spreads liability risks to its consumers. There are approximately 100 risk retention groups in Georgia.

In addition, insurers are categorized according to the state or country in which they are based (i.e., their domicile). Georgia-based insurers are known as domestic insurers. Insurers based in other states are known as foreign insurers, and insurers based outside of the U.S. are known as alien insurers. Foreign and alien insurers are subject to retaliatory taxes. In 2019, Georgia had 130 domestic admitted insurers and 1,520 foreign and alien admitted insurers.

National Association of Insurance Commissioners

The National Association of Insurance Commissioners (NAIC) is an organization that supports states' regulation of the insurance industry. It has developed uniform financial reporting for insurance companies and assists in the coordination of oversight among states. Each year, admitted companies submit to the NAIC audited statements containing their financial data, assets, collected premiums, and other information, which is then stored in a central database. State insurance regulators use the NAIC data during their examinations to assess companies' financial solvency. OCI staff also rely on the NAIC data to help verify certain information insurers report on their premium tax filings.

Premium Taxes

Premium Tax Structure

Premium taxes are imposed as a percentage of premiums collected on individuals, property, or risks in the state. States typically impose a premium tax instead of income tax on insurance companies. Due to timing differences between revenue (premiums)

[2] Some insurers, such as captives and health maintenance organizations, are not guaranty members.

and expenses (claims), determining an insurer's net income is complex, making income taxes less practical. Premium taxes are also easier to administer and audit.

Georgia imposes state and local premium taxes, as well as retaliatory taxes. OCI remits revenue from the state premium tax and retaliatory tax to the state's general fund, while it distributes local premium taxes to city and county governments.

- **State Premium Taxes** – Regardless of where they are based, insurers operating in Georgia are subject to state premium taxes. The amount insurers pay varies based on their state regulatory classification (i.e., admitted vs. non-admitted). Additionally, the entity responsible for paying the tax varies. For admitted insurance, the tax is paid by the insurance company. However, for non-admitted insurance, the tax is paid by the surplus lines broker or risk retention group selling the insurance or the individual or entity purchasing the insurance in the case of individual procurement. **(See page 8 for a discussion of state premium taxes.)**

- **Retaliatory Taxes** – In addition to state premium taxes, foreign or alien admitted companies and risk retention groups may pay a retaliatory tax, which varies based on their state of domicile. Retaliatory tax is imposed if the company's home state or country imposes a higher tax than Georgia's tax on similar insurers. In these instances, Georgia imposes the higher rate on insurers from the other state or country that operate in Georgia. **(See page 11 for a discussion of retaliatory taxes.)**

- **Local Premium Taxes** – Admitted companies pay a local premium tax to municipalities and counties. The taxes may be imposed by state statute or local ordinance, depending on the insurance and government type. OCI collects the local premium taxes from insurance companies and remits the revenue to local governments. **(See page 13 for a discussion of local premium taxes.)**

In addition to premium taxes, insurers pay other fees and assessments that support related government functions. For example, OCI collects license fees, as well as penalties and/or interest for late payments or tax filings. It also assesses payments for the Special Fraud Fund, which supports the agency's role in identifying and investigating insurance fraud. An additional tax of 1% is imposed on fire insurance company premiums to help fund the Georgia Firefighters' Pension Fund. Municipalities may also impose annual license fees on insurance companies operating within their borders. Our review focused on the taxes and tax expenditures administered by OCI and did not address other fees and assessments.

Premium Tax Expenditures

A company's premium taxes may be reduced or offset by various provisions of state or federal law. These premium tax expenditures fall into four categories: rate reductions, exemptions, deductions, and credits. The provisions vary as to whether they apply to state and/or local taxes, life and/or other insurance, and admitted and/or non-admitted companies. It should be noted that tax expenditures can reduce tax liability to zero, but companies are not eligible for a refund if their tax expenditures exceed their tax liability. A detailed table of premium tax expenditures taken in tax years 2015-2019 is included in Appendix B.

Tax Expenditure

A provision that reduces tax liability by allowing for special treatment of a source of income or a certain type of expense

- **Rate Reduction** – Rate reductions are provisions that reduce the percentage of premiums that insurers pay in premium taxes. **(See page 15 for a discussion of rate reductions.)**

- **Credits** – Credits provide a dollar-for-dollar offset to premium taxes, and unused amounts can be carried forward to future tax years. Each of Georgia's premium tax credits has a similar or equivalent income tax credit. None are refundable. **(See page 18 for a discussion of credits.)**

- **Deductions** – These provisions deduct certain amounts from a company's premium tax liability. Deductions are dollar-for-dollar tax offsets, similar to a credit; they are not deductions from the premiums to be taxed. **(See page 25 for a discussion of deductions.)**

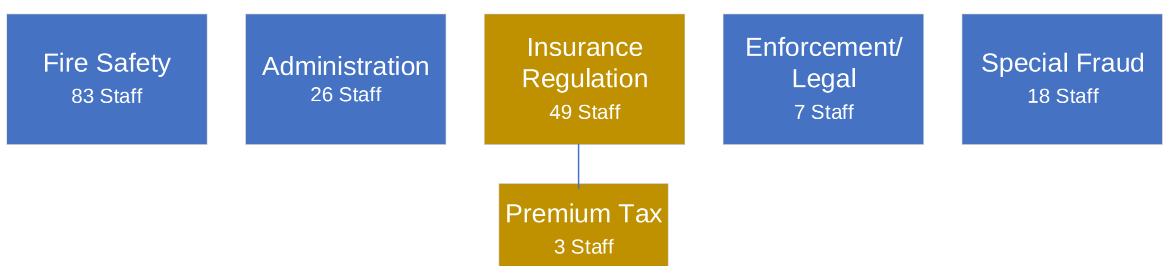
- **Exemptions** – Federal and state laws exempt certain types of insurance or insurance companies from premium taxes. **(See page 33 for a discussion of state exemptions and page 44 for federal exemptions.)**

Office of the Commissioner of Insurance

Organization

O.C.G.A. § 33-2-1 establishes OCI and designates the Commissioner of Insurance—an elected constitutional officer—as the agency's chief officer. OCI is statutorily charged with reviewing admitted companies' rates and forms, verifying insurers have sufficient financial resources to cover claims, and enforcing state laws governing fire safety and insurance regulation. As shown in **Exhibit 2**, OCI has approximately 180 staff across five major programs.

Exhibit 2
Approximately 180 OCI Staff Work Across Five Programs[1]



[1]Administration staff counts include 11 Information Technology employees who are allocated across programs.
Source: OCI documents

Premium taxes are collected by a division within the Insurance Regulation program. The Premium Tax Division's three staff are primarily responsible for receiving, recording, and auditing tax returns and filings from insurance companies, agents, and selected entities that sell or purchase insurance in Georgia.

Financials

OCI's expenditures for fiscal year 2020 totaled $23.1 million, with Premium Tax Division expenses totaling approximately $543,000 (2%). As shown in **Exhibit 3**, the largest amount (approximately $329,000, or 61%) of Division expenses were for personal services.

Exhibit 3
Premium Tax Division Expenditures, Fiscal Year 2020

Category	Expenditures	% of Total
Personal Services	$328,956	60.6%
Computer Charges	178,360	32.8%
Regular Operating	26,946	5.0%
Contracts	6,654	1.2%
Telecommunications	2,327	0.4%
Total	**$543,244**	

Source: TeamWorks Financials

While OCI is funded through a variety of sources, including state funds, federal funds, and contracts with other state agencies and private entities, the majority (92%) of its revenue derives from state funds. The Premium Tax Division is solely funded through state appropriations.

Chapter 1: Taxes

Premium taxes are imposed as a percentage of gross direct premiums collected on individuals, property, or risks in the state. Insurance is subject to two state taxes, the premium tax and the retaliatory tax, and admitted insurance companies are subject to the local premium tax. In 2019, state taxes totaled $536.8 million, and local taxes totaled $740.6 million. The median effective tax rate for companies, after accounting for all taxes and tax expenditures, was 4.0% of total premiums collected.

Total premium taxes collected grew from $993.5 million for tax year 2015 to $1.3 billion for tax year 2019, an increase of 29%, with an annual increase between 6 and 8% each year.

State Premium Tax

Description

A state premium tax is imposed on gross direct premiums collected on individuals, property, or risks in the state. It is 2.25% of collected premiums for admitted insurers and 4% for non-admitted insurers. Insurance companies do not pay state income taxes; the premium tax essentially serves as a substitute.

Because it is limited to collected premiums, the tax excludes premiums written but not collected, premiums returned due to cancelled policies, and dividends returned to policyholders. It also excludes annuities.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Admitted Company Rate 2.25%

Non-Admitted Company Rate 4%

Exceptions

Captive insurers pay lower rates than other admitted companies, and their total annual tax is limited to $100,000. Captive insurers are not eligible for state rate reductions, exemptions, credits, or deductions. *(See Appendix C for additional details regarding captive premium taxes.)*

Because only domestic captives are authorized by statute, OCI's practice is to charge the insured of any identified out-of-state captives the 4% rate charged for individual procurement.

Due Date and Administration

Admitted insurance companies, apart from captives, submit quarterly statements and prepayments for the current tax year by the 20th day in the last month of each quarter (e.g., March 20, June 20). They then file annual premium tax returns by March 1 to report premiums, retaliatory taxes, and tax expenditures, as well as remit remaining taxes due for the preceding tax year. *(See Appendix D for the annual return form.)*

Returns are uploaded to an OCI database that compares the return to NAIC records that show audited financial data, assets, and collected premiums. OCI staff then examine identified discrepancies and verify the accuracy of all items reported on the annual statement (premiums collected, tax expenditures, quarterly prepayments).

Non-admitted insurance requirements vary by type. Surplus line brokers and risk retention groups submit affidavits and tax payments within 15 days of the end of each quarter in which they have taxable premiums. Affidavits and payments for independently procured insurance are due within 30 days of the policy's effective date. Staff indicated non-admitted filings undergo a less extensive review due to limited data from other sources for comparison; however, OCI is implementing new software in 2021 to better automate the verification process.

Code Sections 33-8-4, 33-8-6, 33-41-22, 33-5-31, 33-5-33, 33-40-5

Year Created[3] 1935

Major Changes in Last 10 Years

In 2015, House Bill 552 reduced rates for captive insurers from 2.25% to their current rate structure. Legislation in 2011 and 2012 aligned state taxation with federal legislation related to risks located in multiple states.

[3] The current rate was implemented in 1955.

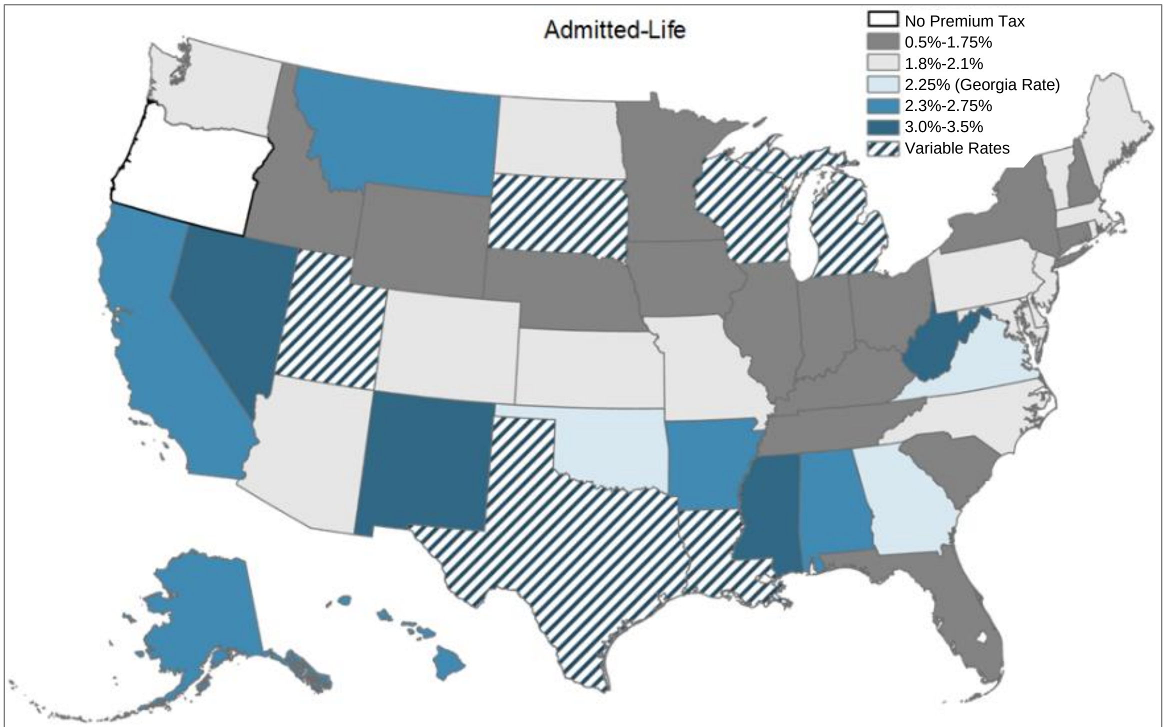
Other States with Tax

# of Other States: 48

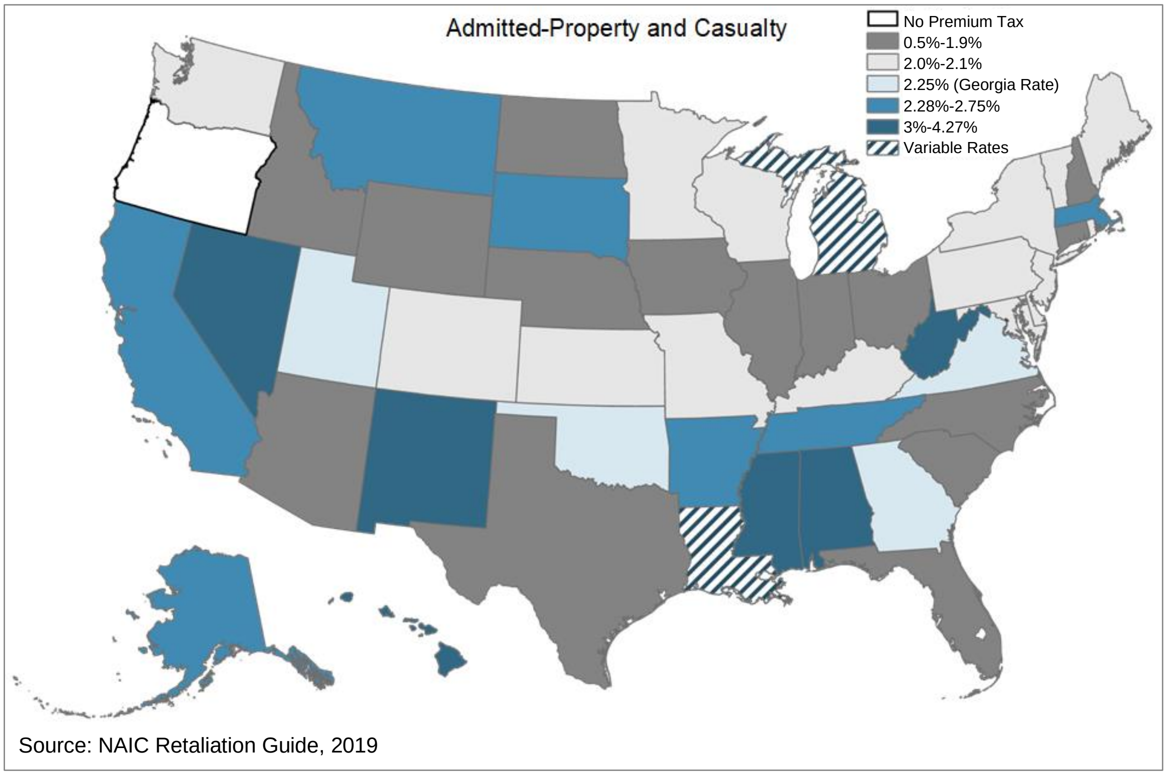
All states except Oregon impose a premium tax. Unlike Georgia, eight states tax life insurers at a lower rate than other admitted insurers. Rates for life insurers range from 0.50% to 3.50% and average 1.92%, while property and casualty rates range from 0.50% to 4.27% and average 2.07%. Georgia's state rate of 2.25% for admitted companies ranks higher than 32 other states for life insurers and 31 other states for property and casualty insurers (excluding states with varying rates). *(See Appendix E for a comprehensive list of state premium tax rates by company type.)*

Unlike Georgia, most states impose a different rate on each type of non-admitted insurance. Overall, non-admitted rates range between 0.50% and 6.00%. Risk retention groups have the lowest average rate (2.27%). It should be noted that eight states charge different rates for risk retention groups depending on whether they are domestic or foreign companies. Rates for individual procurement and surplus lines average 3.44% and 3.58%, respectively.

Georgia's non-admitted rate is generally higher than other states' rates for risk retention groups, but about average for individual procurement and surplus lines.



Source: NAIC Retaliation Guide, 2019



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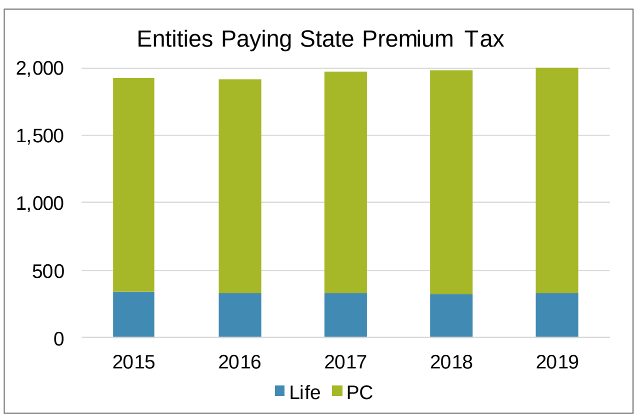
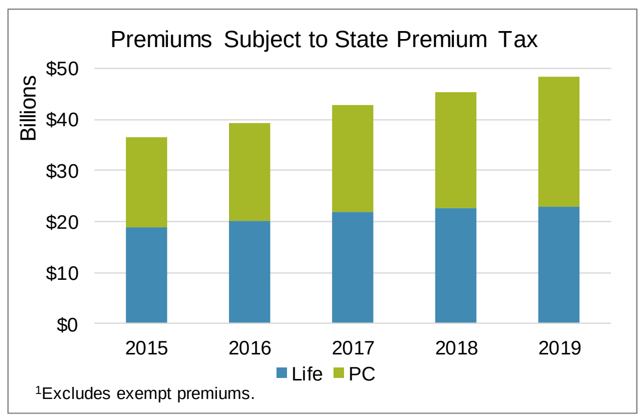
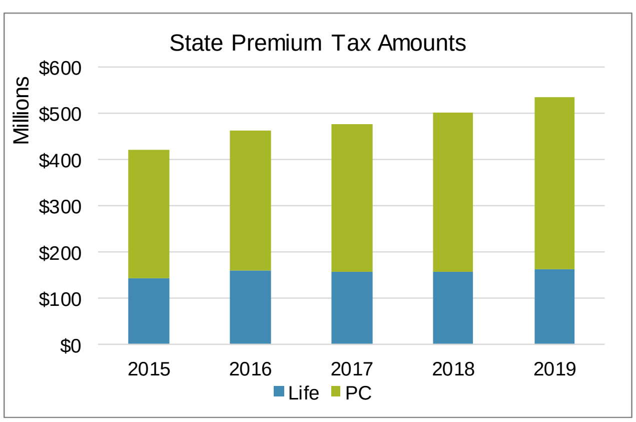
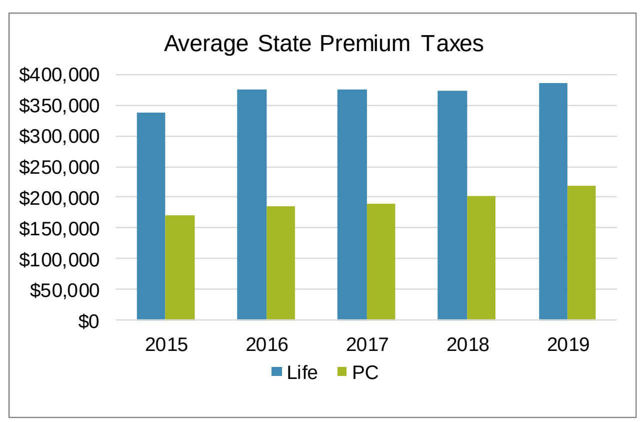








Retaliatory Tax

Description Retaliatory tax is imposed on companies not domiciled in Georgia if the home state (or country) imposes a higher tax on similar insurers. In these instances, Georgia will impose the higher rate on insurers from that state operating in Georgia. The calculation also considers other statutorily required costs, such as licenses, fees, and local taxes. Retaliatory taxes are intended to discourage high taxes in other states. Statute imposes the tax on admitted insurers and risk retention groups.

Insurance Class and Domicile State

Life	✓	Domestic	
Property and Casualty	✓	Foreign and Alien	✓

Admitted Company Rate Difference between Georgia taxes and fees and amount charged by home state to Georgia insurer.

Non-Admitted Company Rate Same as admitted

Exceptions The tax is not imposed on surplus brokers or individual procurement because the broker or purchaser does not meet the statutory definition of an insurance company or an agent or representative of one.

Due Date and Administration Admitted companies and risk retention groups each file a retaliatory tax form that computes tax owed based on the taxes and fees that would be charged in their home state. Admitted companies submit their form with the annual return by March 1, while risk retention groups submit their form with the fourth quarter affidavit within 15 days of the end of the year. During the audit process, OCI staff review the accuracy of form data.

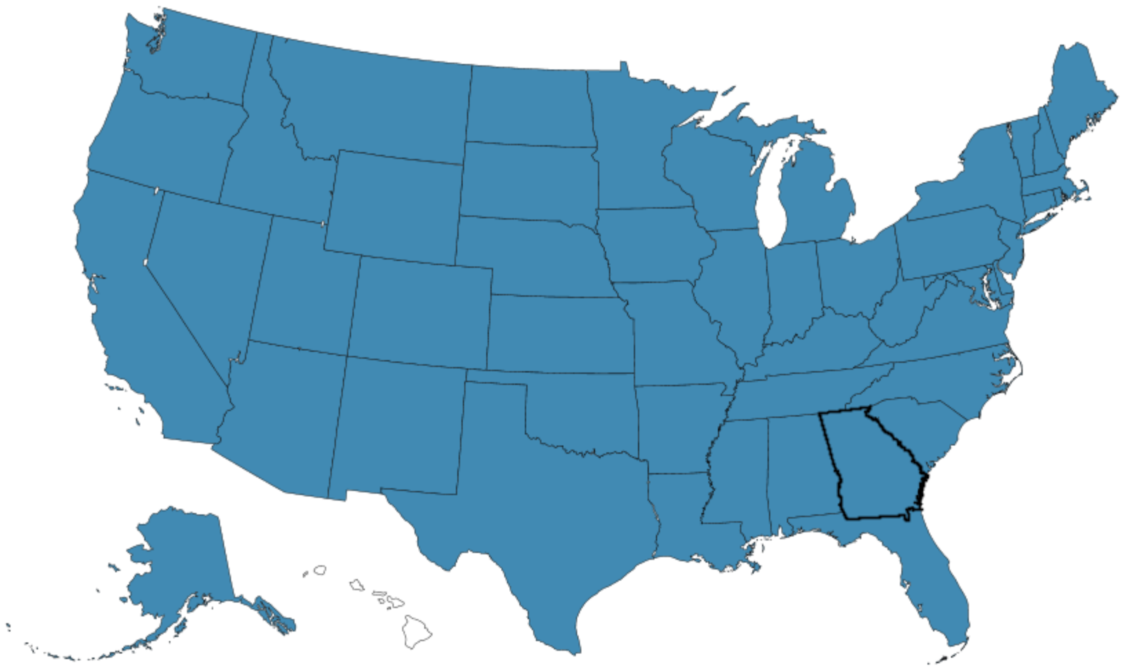
Code Section 33-3-26

Year Created 1869

Major Changes in Last 10 Years No major changes were identified.

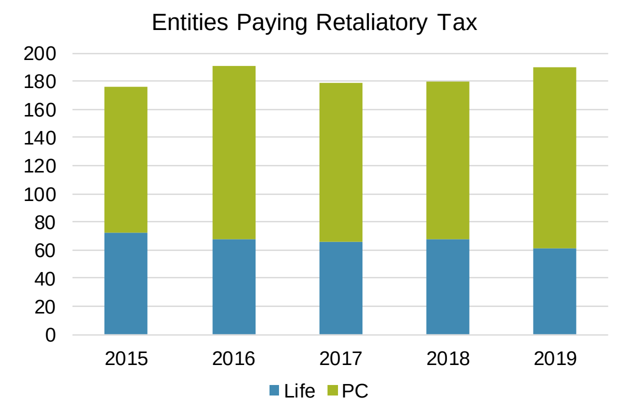
Other States with Tax *# of Other States*: 48

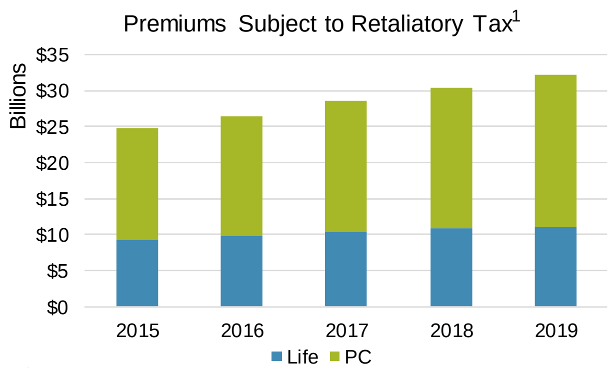
All states impose retaliatory taxes except Hawaii, which has the highest premium tax rate of all states (4.27%). As in Georgia, retaliatory tax provisions consider companies' overall costs, including state and local taxes, licenses, and fees. Four states have reciprocity statutes, which eliminate retaliatory taxes if the company's home state agrees not to impose the tax on the reciprocal state's companies. In addition, Wisconsin generally allows foreign insurers to pay no more than their home state charges similar Wisconsin companies.



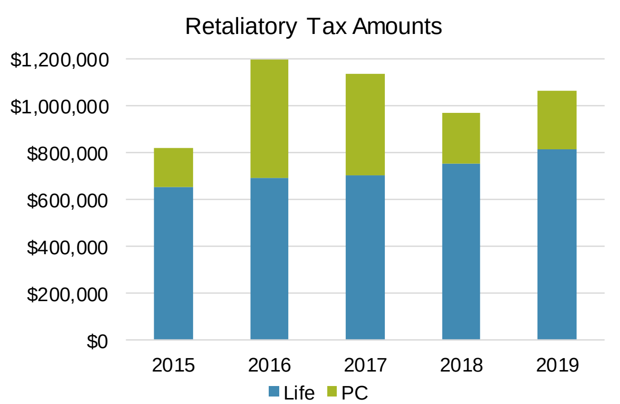
Source: NAIC Retaliation Guide, 2019

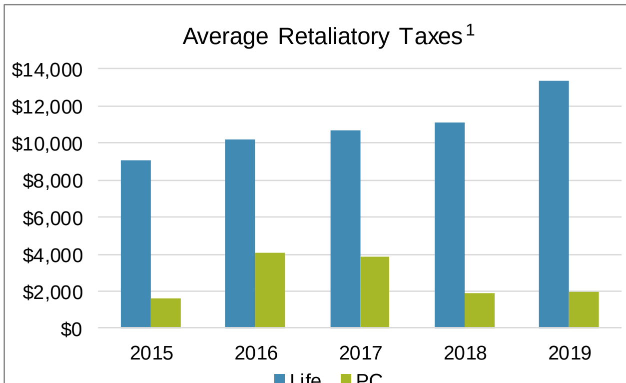
Statistical Information





[1]Includes all premiums for non-exempt, admitted companies not based in Georgia.





[1]Includes only entities that paid retaliatory taxes in the applicable year.

Local Premium Tax

Description

Admitted insurers pay local premium taxes of 1% for life insurance companies and 2.5% for other companies. State statute imposes the 1% tax on life insurance companies for all counties. However, municipalities must pass an ordinance to impose the local tax, and counties must pass an ordinance for the local tax on non-life insurance companies. While statute allows the ordinance to impose a tax up to the maximum rate, OCI indicated that only the maximum rate has been imposed in practice. The local premium tax is imposed on gross direct premiums.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Admitted Company Rate

1% for life
2.5% for property and casualty

Non-Admitted Company Rate

N/A

Exceptions

Captive insurers do not pay local premium taxes.

Due Date and Administration

OCI bills admitted companies for local taxes based on taxable premiums reported on their annual returns, generally at the beginning of July. To calculate the tax owed, OCI factors in differences in the state and local tax base, such as high deductible health plans and flood insurance. Companies remit payment for local taxes by August 1, and OCI distributes the revenue to local governments on October 15. OCI allocates the revenue to local governments based on the percentage of the state's population that lives in that city or county.

Code Sections

33-8-8.1; 33-8-8.2

Year Created[4]

1981 – life
1983 – property and casualty

Major Changes in Last 10 Years

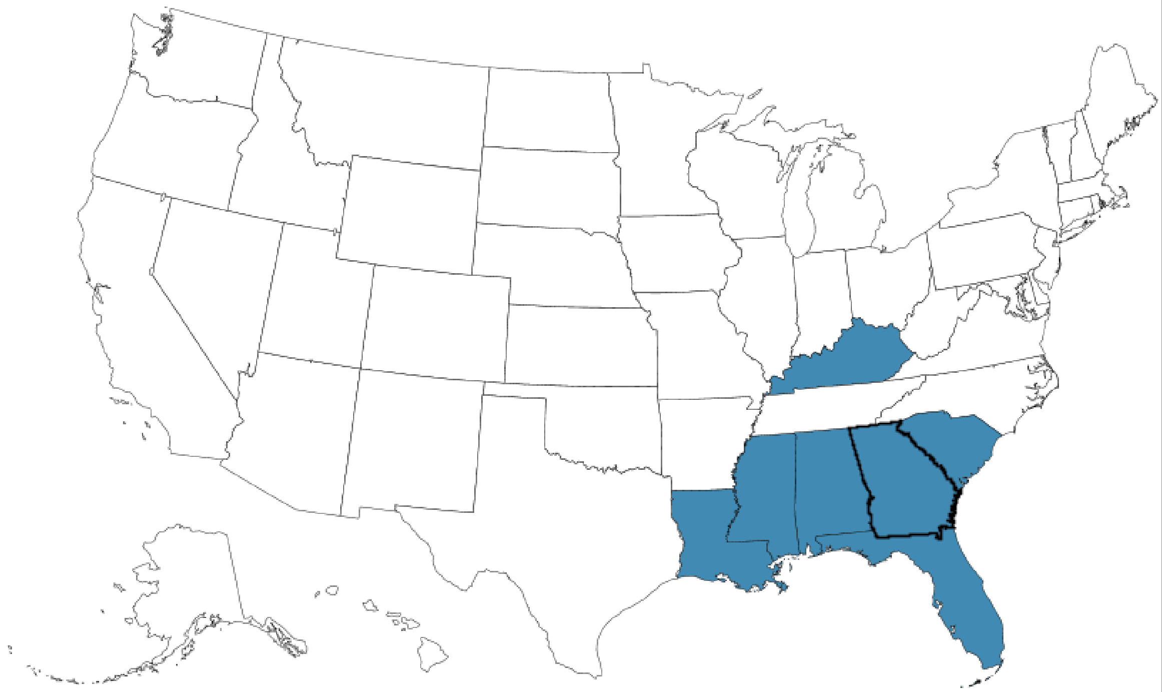
No major changes were identified.

Other States with Tax

# of Other States: 6

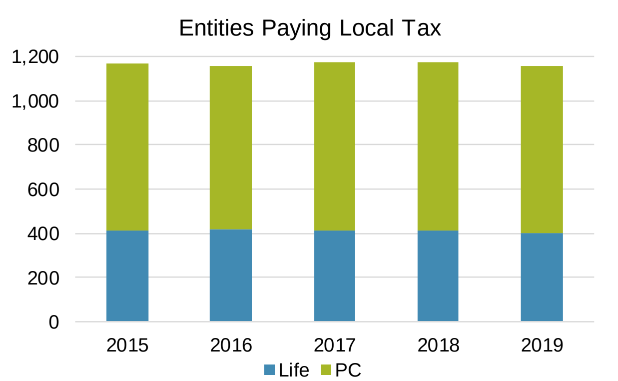
Six other states authorize local governments to levy premium taxes. Rates vary across states and are typically based on insurance type. For instance, South Carolina imposes a 0.75% municipal tax on life and health insurers and a 2% municipal tax on property and casualty companies. In two of the six states, local tax proceeds are earmarked for specialized retirement or pension funds. *(See Appendix F for descriptions of local premium taxes in other states.)*

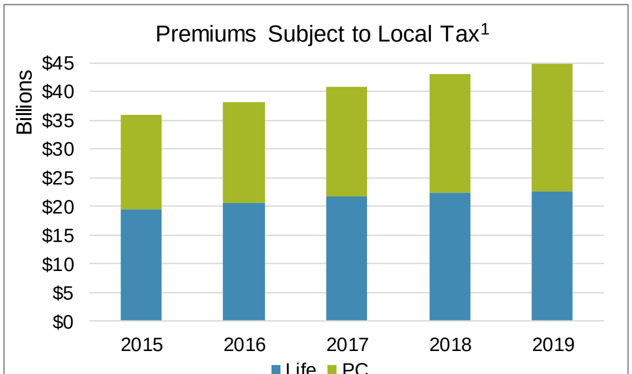
[4] Prior to these dates, local governments may have imposed premium taxes and collected them directly.



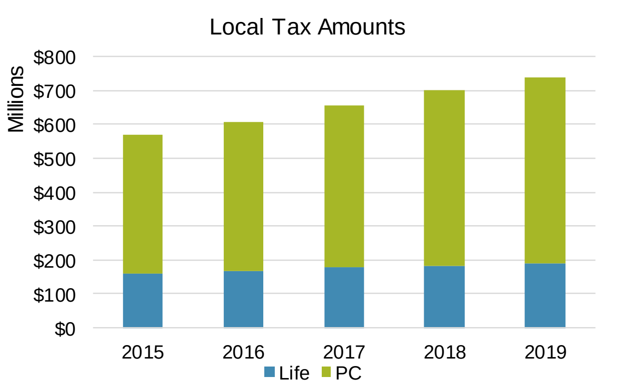
Source: NAIC Retaliation Guide, 2019

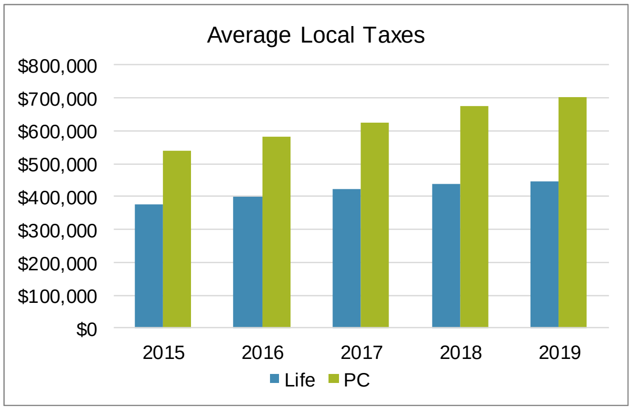
Statistical Information





[1]Excludes exempt premiums.



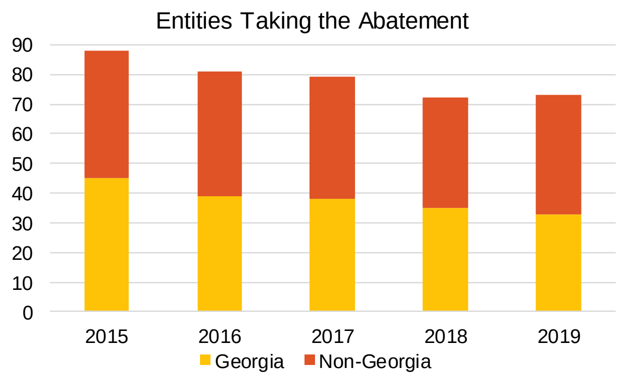


Chapter 2: Rate Reductions

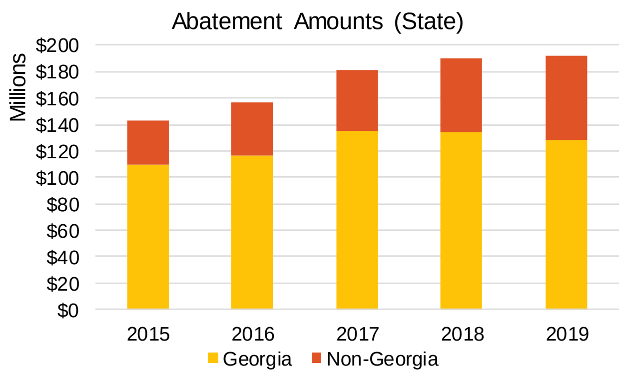
Rate reductions reduce the percentage of premiums that admitted insurers pay in taxes from 2.25% to a lower rate. Georgia offers one rate reduction provision, known as the abatement, which provides a rate reduction for investing in Georgia investments. In 2019, the abatement totaled $191.5 million in forgone state revenue and $38.7 million in forgone local revenue. The abatement is typically claimed by 70-90 companies each year.

For tax years 2017-2019, the abatement was Georgia's largest premium tax expenditure in terms of state taxes forgone. For 2015-2016, the abatement was the second largest premium tax expenditure, just below the local tax deduction.

As shown in the charts below, the abatement provides greater benefits for domestic companies. In 2019, Georgia-based companies made up 4% of admitted companies but 45% of companies taking the abatement and 67% of the total state abatement amount. The abatement favors domestic companies in part because it allows the companies to use real and tangible property in Georgia as eligible investments.



Source: DOAA analysis of OCI data



Source: DOAA analysis of OCI data

Abatement for State Investment

Description

An admitted insurance company may lower its state premium tax rate to 1.25% if at least 25% of its assets are invested in Georgia, or to 0.5% if at least 75% of its assets are invested in Georgia. Companies may invest in state and local government bonds, real estate or personal property, corporation shares, and other eligible Georgia investments. The abatement is intended to incentivize in-state investment.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Abatement Applicability

State Premium	Retaliatory	Local Premium
✓		Life companies are exempt from county taxes if state rate is reduced to 0.5%

Amount

Rate is reduced to 1.25% or 0.5%, depending on the level of investment.

Exceptions

Non-admitted insurers are not eligible for a rate reduction.

Administration

Eligible companies claim abatements on their annual return and a form used to calculate the ratio of their eligible Georgia assets to their total assets. OCI staff compare the reported information to the asset list and other information in the annual statement the company reported to the NAIC.

Code Section 33-8-5 **Year Created** 1960

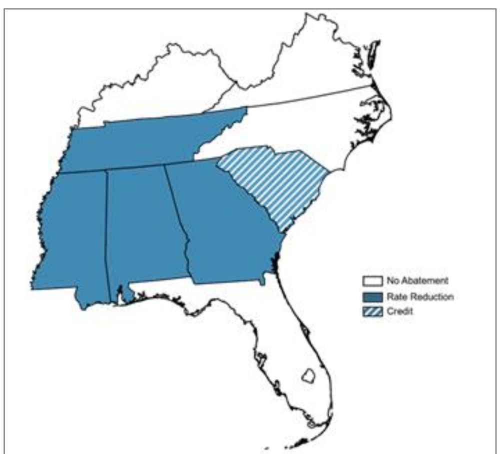
Major Changes in Last 10 Years

No major changes were identified.

Other States with Abatement

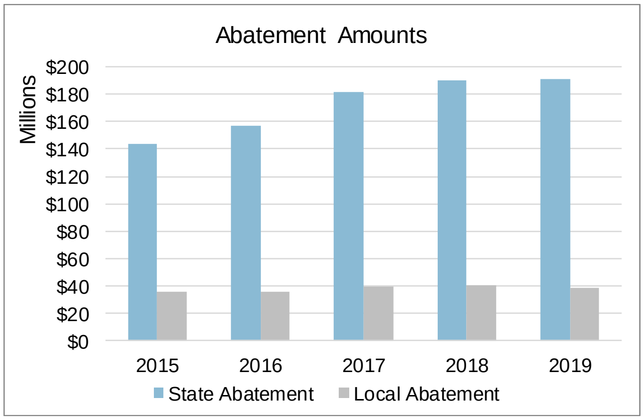
# of Other SE States: 4

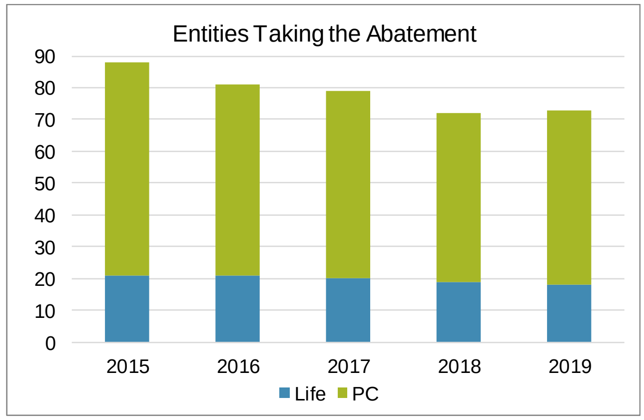
Four other southeastern states have provisions related to a company's level of in-state investment. Alabama, Mississippi, and Tennessee offer a rate reduction, and South Carolina offers a credit. For example, Mississippi offers a rate reduction for qualifying in-state investments based on the percentage of total assets invested, while South Carolina provides a credit based on the dollar amount of in-state investments.

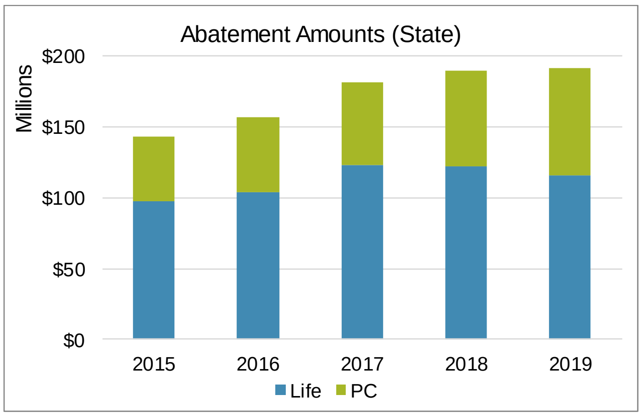


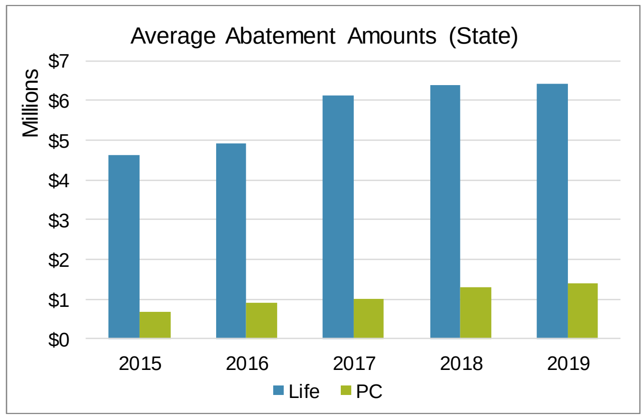
Source: NAIC Retaliation Guide, 2019

Statistical Information









Chapter 3: Credits

Credits allow insurance companies to offset their premium tax liability on a dollar-for-dollar basis, with unused amounts carried forward to future years. Each premium tax credit in Georgia has a similar or equivalent income tax credit, essentially making a credit available to corporations that pay income tax and corporations that pay premium tax. Credits are typically used to incentivize certain activities (e.g., economic development).

While OCI manages the credit redemption process, the Department of Community Affairs (DCA) oversees eligibility for the low-income housing and the Georgia Agricultural Rural Jobs Act (GARJA) tax credits. For the job tax credit, OCI oversees eligibility, while DCA classifies counties for credit amount purposes and provides guidance when needed.

We are only able to report amounts claimed for the low-income housing tax credit, the third largest premium tax expenditure at $127.6 million in 2019. Job tax credit statistical information cannot be reported because fewer than 10 companies[5] claim it each year of our review period, and the GARJA credit will first be claimed for the 2020 tax year. We estimate that the 2020 GARJA amount claimed will be nearly all of the $9 million earned that year.

[5] Due to confidentiality concerns, we are unable to provide statistical information for groups of less than 10 taxpayers.

Job Tax Credit

Description

Admitted insurers receive a state premium tax credit of $750 to $3,500 per year for five years for each new, full-time job created. The credit amount and the minimum number of jobs required vary based on the location of the jobs. Each year, DCA assigns each county to one of four tiers based on its level of economic development, with jobs in less developed counties eligible for more generous credits. To qualify for the credit, the jobs must offer health insurance coverage and must have an average wage above that of the county with the lowest average wage in the state. Unused amounts may be carried forward for 10 years from the year in which the jobs were created.

The credit is intended to incentivize job creation. A similar credit is available for companies that pay income tax.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Credit Applicability

State Premium	Retaliatory	Local Premium
✓		

Amount

$750-$3,500 per job per year for 5 years, with higher amounts for jobs in less developed counties

Exceptions

For businesses that have operated in the state for three years, an additional tax credit of $500 per job is allowed for a single year and taken in year two following the creation of that job. Non-admitted insurers are not eligible for the job tax credit.

Administration

OCI oversees eligibility and monitors credit usage. Staff verify jobs meet criteria by reviewing supporting documents, which include payroll reports and Department of Labor documentation. Companies claim the credit when they file their annual return.

Code Section 33-8-4.1 **Year Created** 2008

Major Changes in Last 10 Years

In 2019, Senate Bill 132 reinstated the additional tax credit for businesses operating in the state for at least three years, which had expired in 2014.

Other States with Credit

# of Other SE States: **5**

Five other southeastern states provide job-related credits. Like Georgia, North Carolina, South Carolina, and Virginia provide credits for new job creation, typically for jobs created within targeted development areas. The credit allowed per job ranges from $750 to $12,500 per employee. Alabama and Florida provide credits for jobs already existing within the state.

Source: NAIC Retaliation Guide, 2019

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for the job tax credit, which was claimed by less than 10 companies each year.

Low-Income Housing Tax Credit

Description

Insurers receive a state premium tax credit for investing in a Georgia housing project that qualifies for the federal housing tax credit. The state credit amount is equal to the federal credit, which has two tiers: a competitive, capped 9% credit and a non-competitive, uncapped 4% credit. Credits are awarded after the project is completed, and unused amounts can be carried forward for up to three years.

The credit is intended to incentivize private investment in affordable housing. It may also be used by non-insurers for income taxes. Amounts taken against the income tax are not included in the Statistical Information section below.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Credit Applicability

State Premium	Retaliatory	Local Premium
✓		

Amount

Up to the amount allowed by the federal low-income housing credit

Exceptions

Entities that obtain policies through individual procurement are not eligible for the credit.

Administration

DCA oversees the eligibility and monitoring aspects of the credit, verifying housing projects meet federal criteria and monitoring for continued compliance. The agency provides project credit amounts to OCI staff, who verify claimant documentation and monitor credit usage, carryforwards, and recaptures. The credit is claimed on an admitted company's annual return or against tax on a non-admitted taxpayer's quarterly affidavit. Companies also file an OCI form to report credits claimed for the tax year, as well as a Department of Revenue certification form and related federal forms.

Code Section 33-1-18 **Year Created** 2001

Major Changes in Last 10 Years

No major changes were identified.

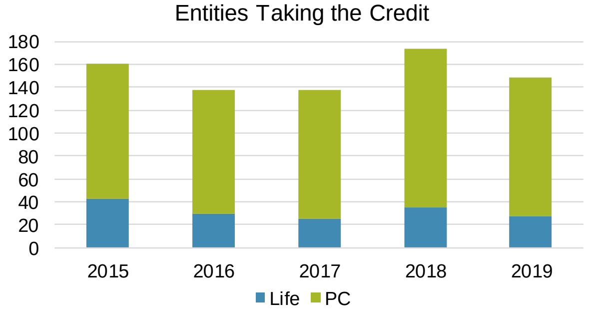
Other States with Credit

# of Other SE States: 2

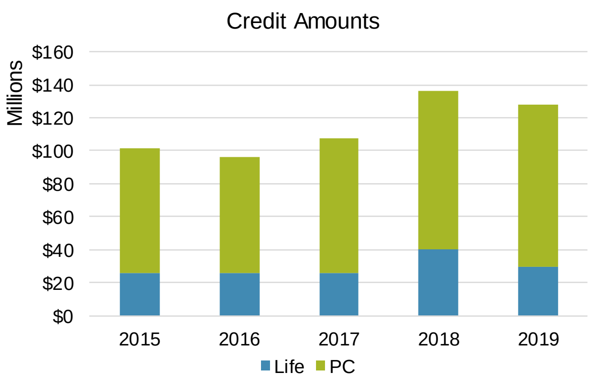
South Carolina and Virginia allow credits for low-income housing developments. North Carolina retired its state low-income housing tax credit in 2015.

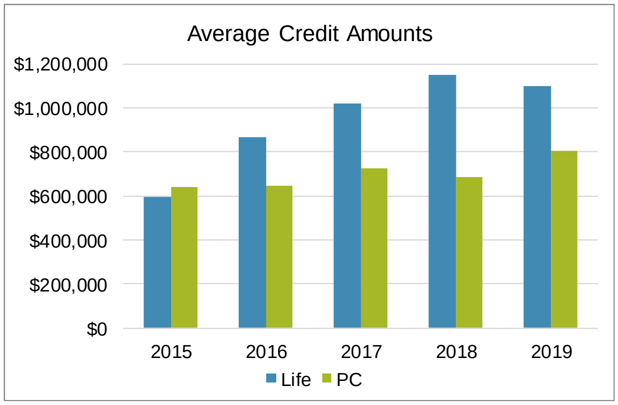
Source: NAIC Retaliation Guide, 2019

Statistical Information



[1]Less than 10 companies from Georgia and less than 10 surplus brokers took the credit, so we are unable to break down the credits based on domicile or entity type.





Georgia Agribusiness and Rural Jobs Act (GARJA)

Description

Insurers receive a credit toward state premium or retaliatory taxes for investing in a rural fund that, in turn, invests in eligible small businesses in rural Georgia. Beginning two years after their initial investment, investors earn the credit in installments of 15% over four years for a total of 60% of the fund's capital investments. Any unused credits may be carried forward indefinitely. The credit has an aggregate cap of $60 million, which has been reached.

The credit is intended to incentivize private investment in rural small businesses. It may also be used by non-insurers for income taxes. Amounts that will be taken against the income tax are not included in the Statistical Information section below.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Credit Applicability

State Premium	Retaliatory	Local Premium
✓	✓	

Amount 60% of investments in a rural fund, with 15% earned each year for four years

Exceptions Surplus brokers and entities that obtain policies through individual procurement do not appear to be eligible for the GARJA credit. Because the statute references the retaliatory tax, it appears that risk retention groups may be eligible to use the credit for that purpose.

Administration DCA determines eligibility by verifying the rural fund meets initial requirements, receives adequate funding from investors, and makes timely investments in eligible businesses. DCA staff monitor compliance until the fund exits the program, which can occur after six years. Each fund reports to DCA how its credits are allocated among investors (i.e., insurance companies and other entities). DCA provides this allocation information to OCI, which then tracks credit usage. The credit is claimed when the company files its annual return.

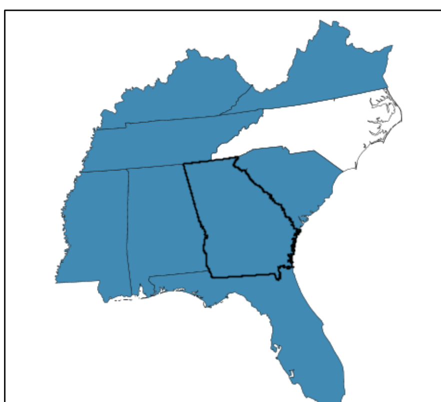
Code Section 33-1-25 **Year Created** 2017

Major Changes in Last 10 Years No major changes were identified.

Other States with Similar Credit

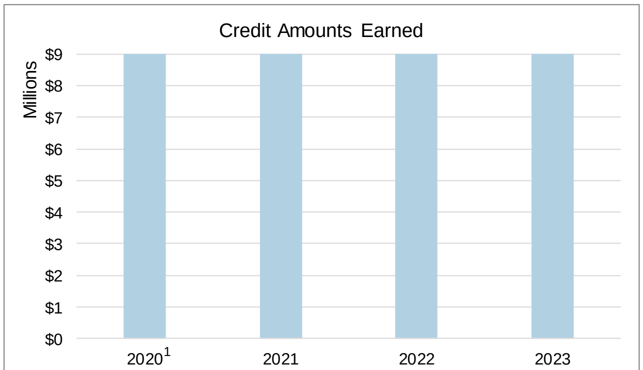
# of Other SE States: 7

We did not identify any other southeastern states that allow credits specifically for investments in agribusiness or other rural small businesses. However, seven of the eight other southeastern states offer similar credits for investment in funds that assist targeted areas. For example, Florida offers a New Market Tax Credit for investment in a community development entity that, in turn, invests in businesses in low-income communities.

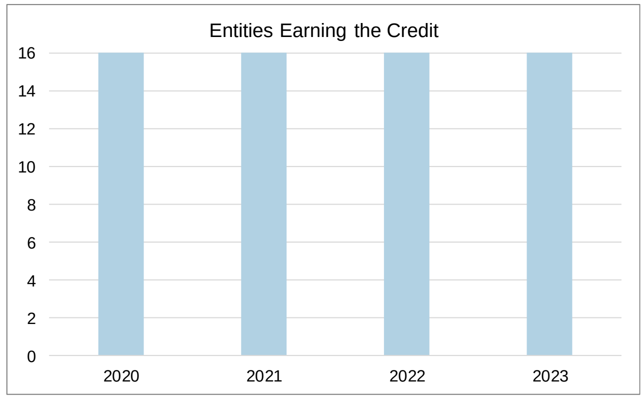


Source: NAIC Retaliation Guide, 2019

Statistical Information



[1]We estimate that nearly all of the credit amounts earned in 2020 are likely to be used in 2020.



Chapter 4: Deductions

Deductions allow companies to offset their premium tax liability on a dollar-for-dollar basis. While deductions function in a manner similar to credits, companies cannot carry forward unused deduction amounts. Additionally, the deductions result from amounts that companies are required to pay to other entities (e.g., municipal license fees), while credits are typically used to incentivize certain activities (e.g., economic development).

Three of the four deductions offset statutorily required payments by companies issuing life, accident, and sickness insurance. The fourth deduction offsets payments statutorily required by other states for certain types of property and casualty insurance.

In 2019, deductions totaled $200.7 million in forgone revenue. This total excludes the retaliatory tax deduction, which was claimed by less than 10 companies each year. As shown in the chart below, the local tax deduction was the largest deduction for each year from 2015-2019. Additionally, the local tax deduction was the largest premium tax expenditure for 2015-2016 and the second largest premium tax expenditure for 2017-2019.

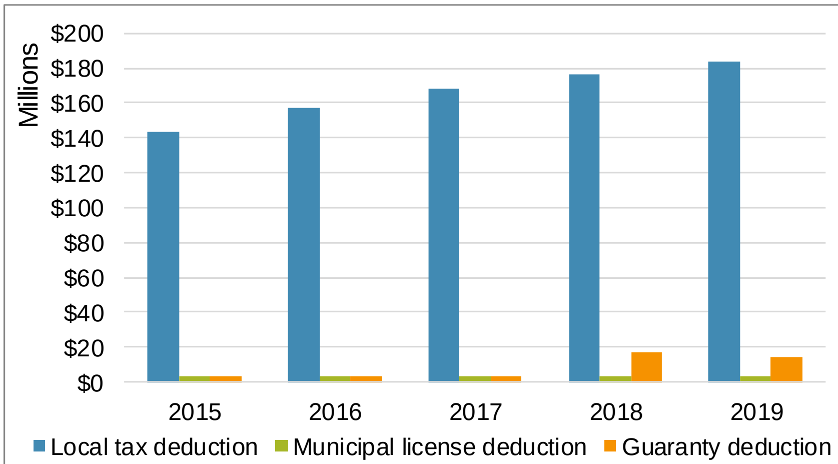


*Chart does not include the retaliatory tax deduction, which was taken by less than 10 companies, and therefore, cannot be presented.

Source: DOAA analysis of OCI data

Retaliatory Taxes Paid to Other States

Description A domestic insurer issuing policies on fire, lightning, extended coverage, and windstorm for properties within Georgia can deduct retaliatory taxes paid to another state.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	Companies issuing fire, lightning, and windstorm policies	Foreign and Alien	

Deduction Applicability

State Premium	Retaliatory	Local Premium
✓		

Amount Full amount of retaliatory taxes paid to another state

Exceptions No exceptions were identified.

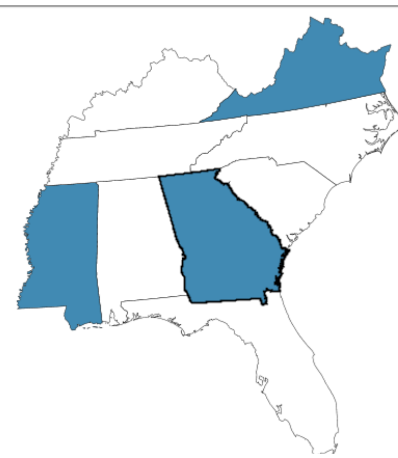
Administration The deduction is claimed when the company files its annual return. OCI staff assess documentation detailing taxes paid to other states to verify the deduction.

Code Section 33-8-7 **Year Created** 1956

Major Changes in Last 10 Years No major changes were identified.

Other States with Deduction *# of Other SE States*: 2

Mississippi and Virginia allow retaliatory taxes paid to another state to be deducted from premium taxes. Virginia has a refundable credit limited to 60% of retaliatory costs.



Source: NAIC Retaliation Guide, 2019

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for the retaliatory tax deduction, which was claimed by less than 10 companies each year.

Municipal License Fees

Description
Admitted life insurance companies may deduct from their state premium taxes license fees paid to municipalities in Georgia.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty		Foreign and Alien	✓

Deduction Applicability

State Premium	Retaliatory	Local Premium
✓		

Amount
Full amount of license fees paid to Georgia municipalities

Exceptions
No exceptions were identified.

Administration
Companies claim the deduction when they file their annual returns. OCI staff review license fee amounts reported on the form and verify them against the records in the OCI database.

Code Section
33-8-8 (e)

Year Created
1964

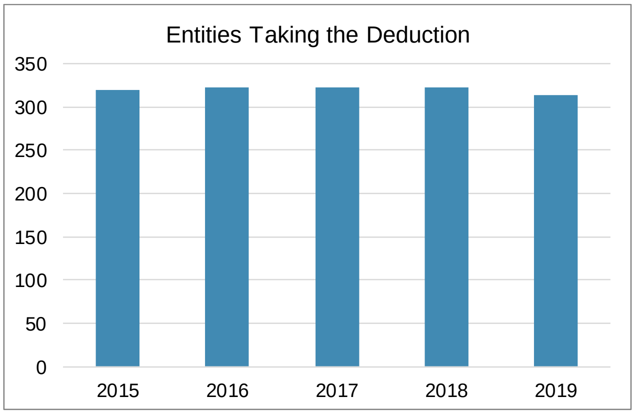
Major Changes in Last 10 Years
No major changes were identified.

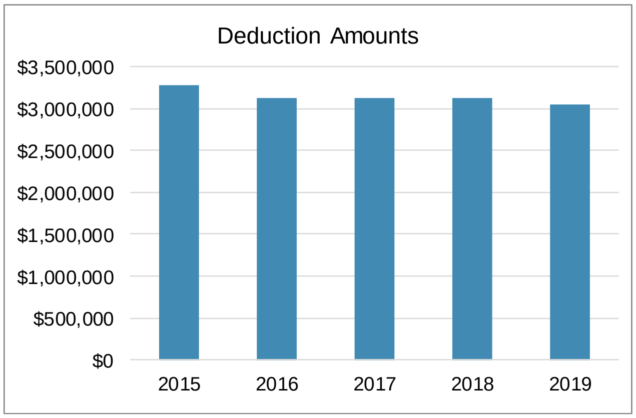
Other States with Deduction
# of Other SE States: 1

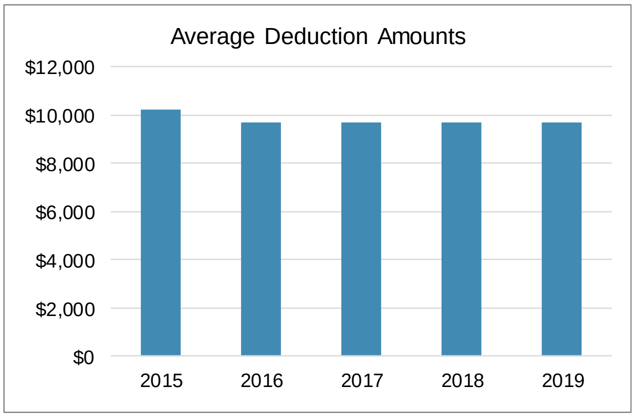
Alabama is the only other southeastern state we identified with a deduction that allows licenses and fees paid to counties to be deducted from state premium taxes.

Source: NAIC Retaliation Guide, 2019

Statistical Information







Local Premium Taxes

Description Admitted life insurance companies may deduct from their state premium taxes the county and municipal premium taxes paid the previous year.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty		Foreign and Alien	✓

Deduction Applicability

State Premium	Retaliatory	Local Premium
✓		

Amount Full amount of county and municipal taxes paid

Exceptions No exceptions were identified.

Administration The deduction is reported on the annual return. Local premium tax amounts are verified against taxes recorded in the OCI database.

Code Section 33-8-8.1 (f) **Year Created** 1964

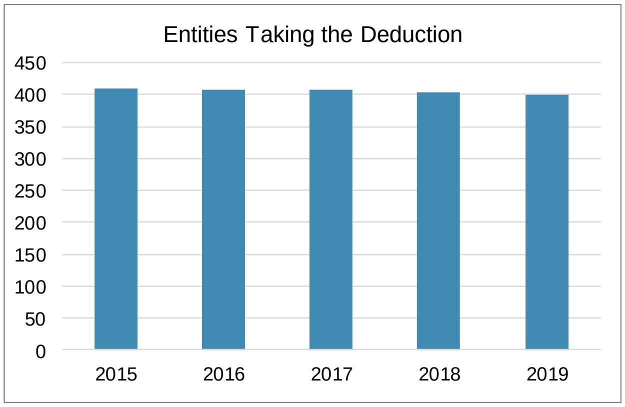
Major Changes in Last 10 Years No major changes were identified.

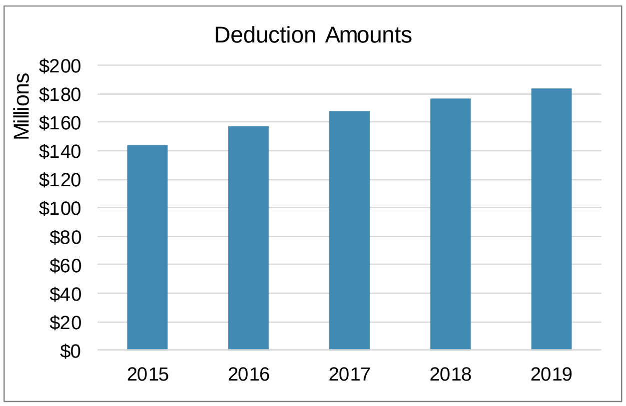
Other States with Deduction *# of Other SE States*: **0**

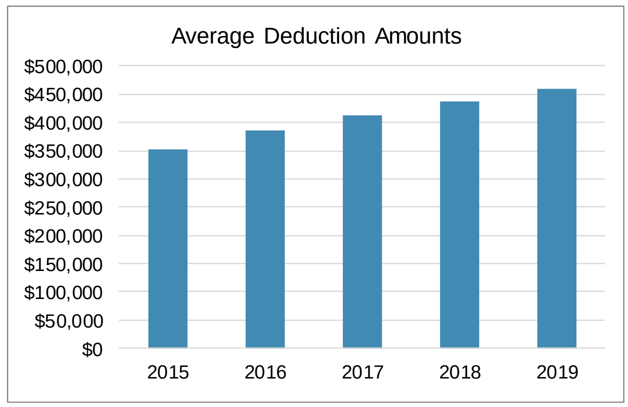
We did not identify any other southeastern states with deductions for local premium tax payments.

Source: NAIC Retaliation Guide, 2019

Statistical Information







Guaranty Assessment

Description

Admitted companies may deduct from their state premium taxes an assessment paid to the Life and Health Guaranty Association. The association helps ensure payment of claims in case a life or health insurer becomes insolvent. The deduction is taken in equal installments (20% each year) for five years after the assessment is paid.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	See Exceptions	Foreign and Alien	✓

Deduction Applicability

State Premium	Retaliatory	Local Premium
✓		

Amount

Full amount of the assessment, in installments of 20% in each of the five years after the assessment is paid.

Exceptions

HMOs are not members of the Life and Health Guaranty Association and, therefore, will not have assessments or related deductions. Also, approximately 25 property and casualty companies write accident and health insurance and have assessments and related deductions.

Administration

The deduction is claimed when the company files its annual return. OCI staff use information from the Life and Health Guaranty Association to verify reported amounts. Staff also track usage over the five-year eligible period.

Code Section 33-38-22 **Year Created** 1988

Major Changes in Last 10 Years

No changes were made to the guaranty assessment deduction. However, 2020's House Bill 1050 allows tax-exempt insurers to impose a premium surcharge to recoup an assessment.

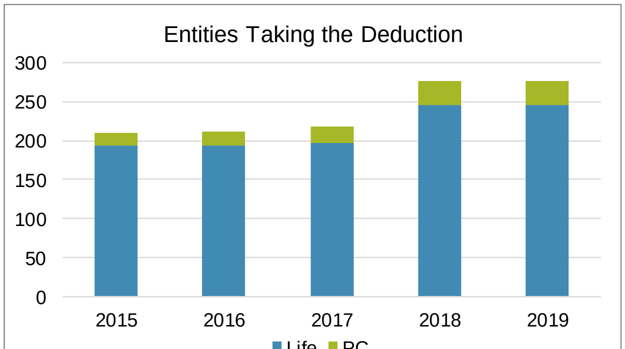
Other States with Deduction

# of Other SE States: 8

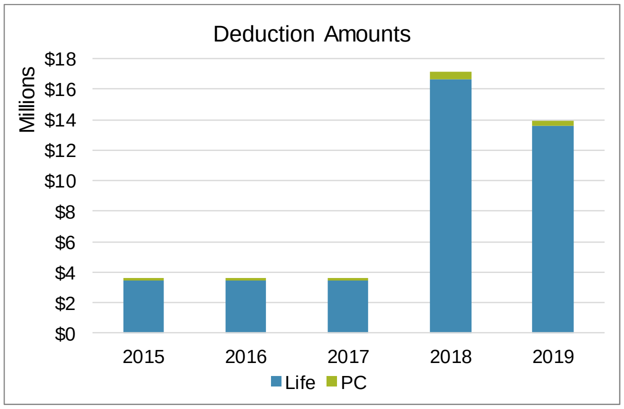
All eight other southeastern states allow insurers to deduct the full amount of their life and health guaranty fund assessments from premium taxes, typically in equal installments over a period of 5 to 10 years. Five of these states also extend the deduction to property and casualty guaranty fund payments.

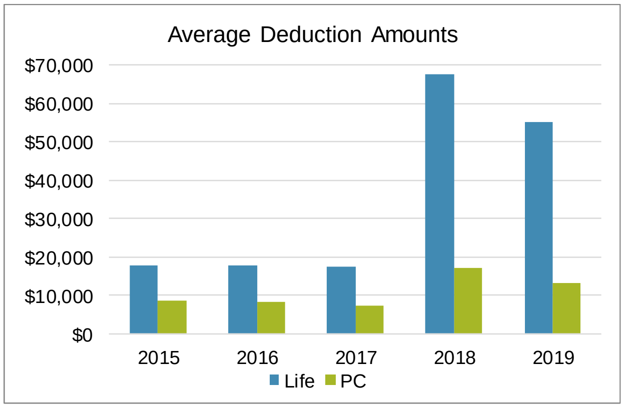
Source: NAIC Retaliation Guide, 2019

Statistical Information



[1]Deductions for a 2017 assessment were first taken in 2018.



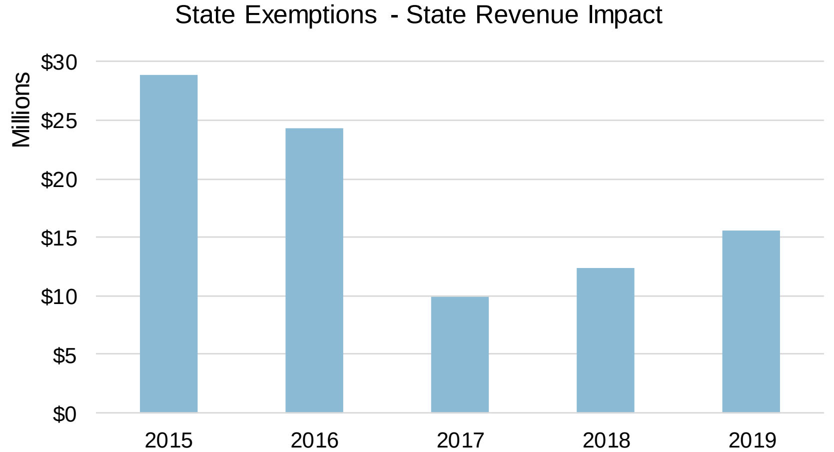


Chapter 5: State Exemptions

Exemptions prevent certain types of insurance or insurance companies from being taxed. An exemption may apply to state tax, local tax, or both. The eight exemptions in this chapter result from provisions in state law, while the exemptions discussed in chapter 6 result from provisions in federal law or regulation. Exemptions generally serve to lower costs for certain types of insurance or to equalize treatment with similar insurance entities.

In 2019, state exemptions totaled $15.5 million in forgone state revenue and $8.6 million in forgone local revenue. With the exception of high-deductible health plans, all state exemptions exempt the entity from both state and local premium taxes. Additionally, some exemptions may permit the state to impose the retaliatory tax if an exempted entity's home state or country does not exempt similar entities or insurance.

As shown in the chart below, state exemptions varied significantly over 2015-2019, primarily due to fluctuations in the amount of high-deductible health plan premiums. The reason for these fluctuations was not clear.



Source: DOAA analysis of OCI data

Nonprofits Insuring Places of Worship

Description Insurance companies that are 501(c)(3) or 501(c)(4) nonprofits and only insure places of worship are exempt from state and local premium taxes. The exemption is likely intended to lower the insurance costs for places of worship due to the benefits they provide to society.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local premium taxes

Exceptions No exceptions were identified.

Administration Eligible nonprofits provide their IRS tax exempt certificate to OCI, as well as documentation of their scope of business. Companies then file annual tax returns indicating they owe no premium taxes.

Code Section 33-8-13

Year Created 1996

Major Changes in Last 10 Years No major changes were identified.

Other States with Exemption *# of Other SE States*: 3

South Carolina is the only other southeastern state with an exemption specifically for nonprofits that only insure churches; however, two other states have provisions for similar entities. Mississippi exempts all nonprofit insurers, and Alabama exempts nonprofit life insurers covering nonprofit education and scientific institutions.

Source: NAIC Retaliation Guide, 2019

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for this exemption, which was claimed by less than 10 companies each year.

Fraternal Benefit Societies

Description

Lodges and similar nonprofit societies created solely for the benefit of their members are exempt from state and local premium taxes. These entities can offer benefit contracts that guarantee payment of benefits in return for premiums (similar to insurance). The exemption is allowed due to the nature of fraternal benefit societies, which are considered charitable and benevolent institutions.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty		Foreign and Alien	✓

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local taxes (other than taxes on real estate and office equipment)

Exceptions No exceptions were identified.

Administration Fraternal benefit societies are not required to submit annual premium tax returns.

Code Section 33-15-83 **Year Created** 1993

Major Changes in Last 10 Years No major changes were identified.

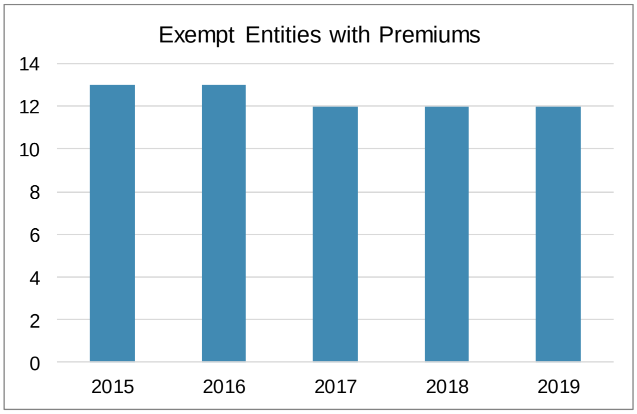
Other States with Exemption

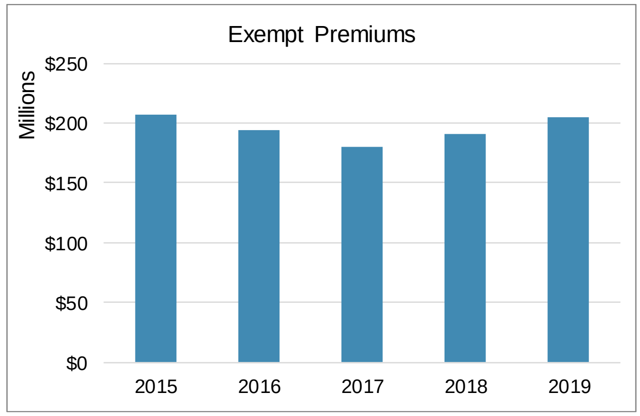
# of Other SE States: 8

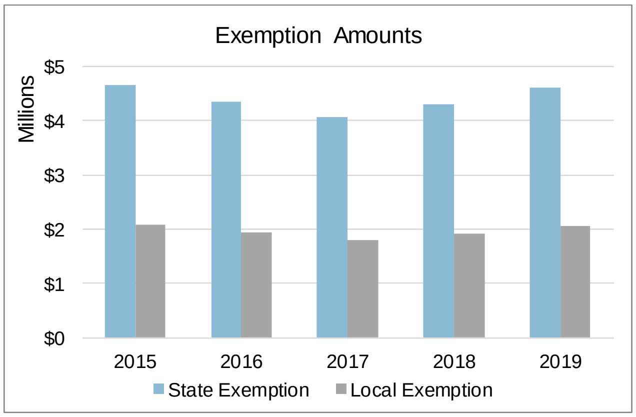
All eight southeastern states exempt fraternal benefit societies from premium taxation. This exemption is a standard practice, with all 50 states having similar provisions.

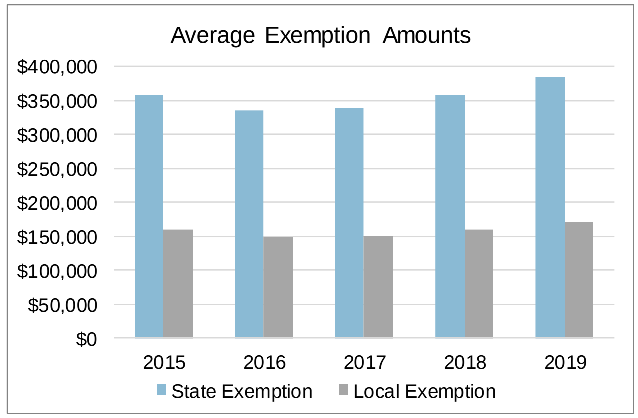
Source: NAIC Retaliation Guide, 2019

Statistical Information









Domestic Farmers' Mutual Fire Insurance Companies

Description

Mutual companies incorporated in Georgia and organized to insure property against damage from fire, lightning, windstorm, and hail are exempt from state and local premium taxes. The exemption is likely intended to increase availability and lower the costs of this insurance for farmers.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	Fire, lightning, windstorm, and hail	Foreign and Alien	

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local taxes (other than taxes on real and personal property)

Exceptions No exceptions were identified.

Administration Domestic farmers' mutual fire insurance companies are not required to submit annual premium tax returns.

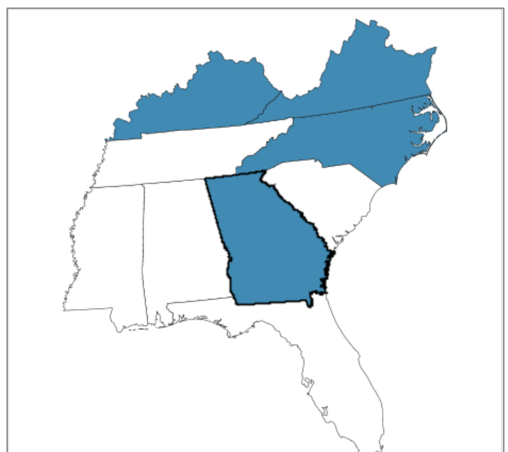
Code Section 33-16-20 **Year Created** 1935

Major Changes in Last 10 Years No major changes were identified.

Other States with Exemption

# of Other SE States: 3

North Carolina is the only other southeastern state that exempts domestic farmers' mutual fire insurance companies, but two other states have comparable provisions. Kentucky exempts some domestic mutual insurers, and Virginia exempts certain mutual assessment fire insurance companies.



Source: NAIC Retaliation Guide, 2019

Statistical Information

Data provided for this exemption was not sufficiently reliable for analysis. However, the exemption appears to have been claimed by less than 10 companies each year.

Workers' Compensation Group Self-Insured Health Plans

Description

Eligible employer collectives that self-fund workers' compensation coverage are exempt from state and local premium taxes. Eligible employer types include local governments, hospital authorities, and professional associations. The exemption is likely intended to equalize treatment with other self-insured plans, which are typically governed by federal law and exempt from state premium taxes.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	Workers' compensation	Foreign and Alien	

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local premium taxes

Exceptions No exceptions were identified.

Administration Workers' compensation group self-insurance funds are not required to submit annual premium tax returns.

Code Section 34-9-150; 34-9-171 **Year Created** 1980

Major Changes in Last 10 Years No major changes were identified.

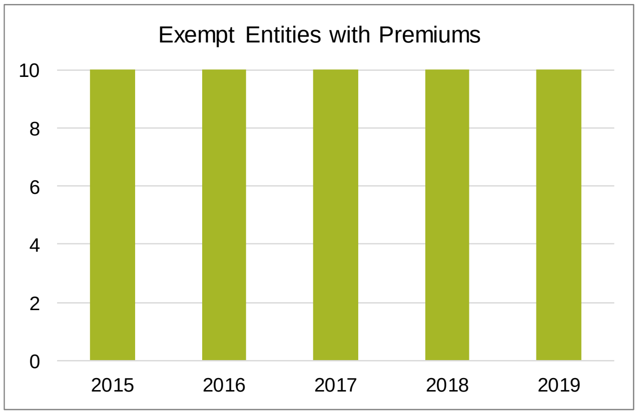
Other States with Exemption

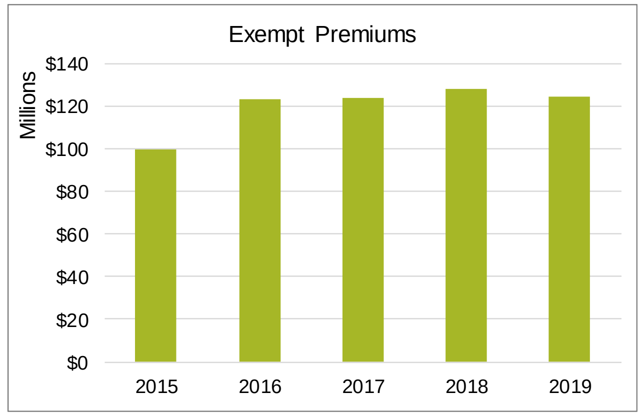
# of Other SE States: 2

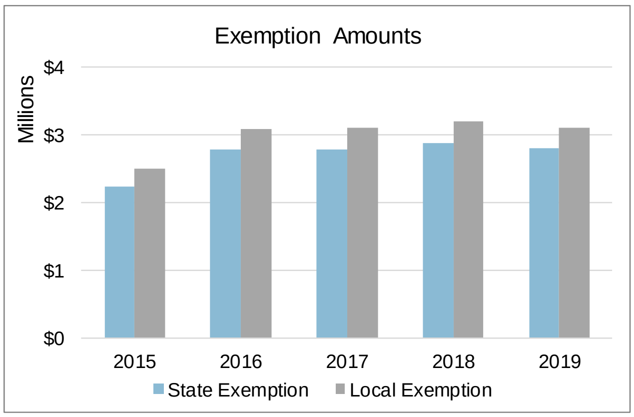
Two other states, Virginia and Kentucky, have exemptions for all workers' compensation insurance, although Kentucky's exemption is limited to local taxes.

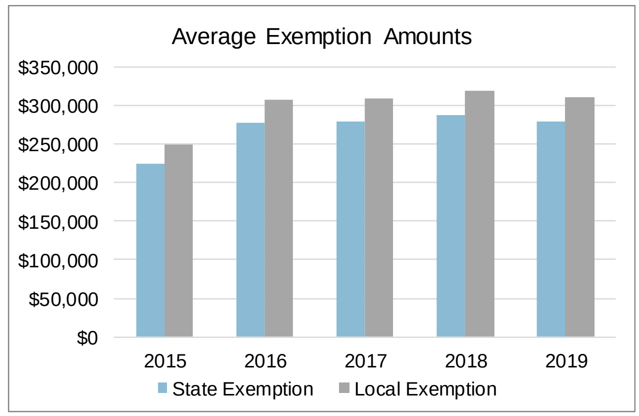
Source: NAIC Retaliation Guide, 2019

Statistical Information









Interlocal Risk Management Agencies

Description An OCI-licensed, self-insurance entity formed by local governments is exempt from state and local premium taxes. These entities can provide coverage for risks such as general or motor vehicle liability, accident, and property damage. The exemption is likely intended to equalize treatment with other self-insured plans, which are typically governed by federal law and exempt from state premium taxes.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	✓	Foreign and Alien	

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local taxes

Exceptions No exceptions were identified.

Administration Interlocal risk management agencies are not required to submit annual premium tax returns.

Code Section 36-85-13 **Year Created** 1986

Major Changes in Last 10 Years No major changes were identified.

Other States with Exemption *# of Other SE States:* 1

Kentucky is the only other southeastern state we identified with this type of exemption. It exempts premiums paid to insurance companies or surplus line brokers by nonprofit self-insurance groups consisting of local governments.

Source: NAIC Retaliation Guide, 2019

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for exemption, which was claimed by less than 10 companies each year.

Multiple Employer Self-Insured Health Plans

Description

Self-insured plans offering health, dental, or short-term disability benefits to employees of two or more employers are exempt from state and local premium taxes. The provision only applies to plans that are not fully insured, meaning benefits are not guaranteed by a contract or policy. The exemption is likely intended to equalize treatment with other self-insured plans, which are typically governed by federal law and exempt from state premium taxes.

Insurance Class and Domicile State

Life	Health, dental, and short-term disability	Domestic	✓
Property and Casualty		Foreign and Alien	✓

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local premium taxes

Exceptions The exemption does not apply to plans of political subdivisions or certain educational institutions.

Administration Multiple employer self-insured health plans file annual returns but report $0 in premiums.

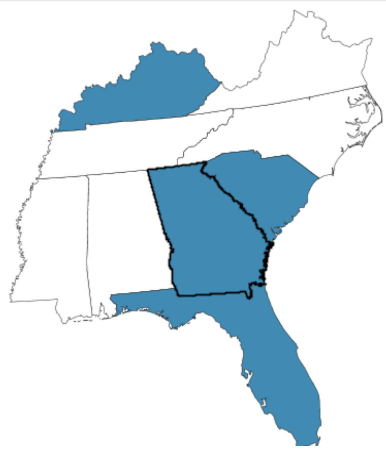
Code Section 33-50-3 **Year Created** 2016

Major Changes in Last 10 Years No major changes were identified.

Other States with Similar Exemption

# of Other SE States: 3

While no other southeastern state has an exemption for all multiple employer self-insured health plans, three states have similar exemptions. South Carolina exempts multiple employer self-insured health plans that were established by a non-profit prior to 1985. Mississippi and Kentucky exempt certain self-insurance plans covering state employees. Though Florida does not exempt group self-insurers, it taxes them at a slightly lower rate (1.6%) than most other insurers (1.75%).



Source: NAIC Retaliation Guide, 2019

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for this exemption, which was claimed by less than 10 companies.

High-Deductible Health Plan Premiums

Description High-deductible health plans (HDHP), as defined by the federal income tax code, are exempt from state premium taxes when premiums are paid by Georgia residents. The exemption is intended to promote and encourage high-deductible health plans.

Insurance Class and Domicile State

Life	High-deductible health plans	Domestic	✓
Property and Casualty		Foreign and Alien	✓

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	

Amount All state premium taxes

Exceptions No exceptions were identified.

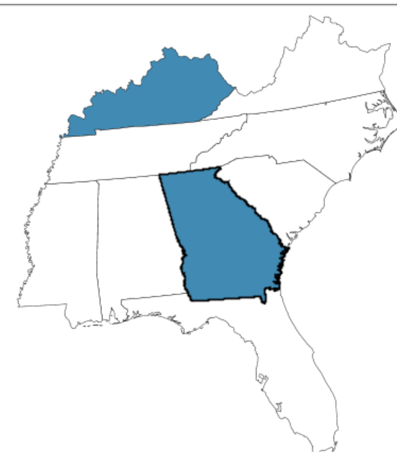
Administration HDHP premiums are reported when the company files its annual return. HDHP premiums are deducted from taxable premiums during the state tax calculation and subsequently added in for the local tax computation.

Code Section 33-8-4 **Year Created** 2008

Major Changes in Last 10 Years HDHPs were also exempt from local premium taxes until that provision expired in 2015.

Other States with Exemption *# of Other SE States*: 1

Kentucky is the only other southeastern state we identified with an exemption for high-deductible health plans. However, Kentucky exempts these plans from the local tax only and requires them to have an accompanying health savings account to be eligible.



Source: NAIC Retaliation Guide, 2019

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for this exemption, which was claimed by less than 10 companies each year.

Planes and Trains

Description Property or casualty insurance on railroads engaged in interstate commerce, aircraft operated in interstate flight, or aircraft owned or operated by aircraft manufacturers are exempt from state and local taxes. The exemption is limited to surplus line brokers and individual procurement. It is intended to promote interstate commerce.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local premium taxes

Exceptions The exemption does not apply to workers' compensation and employer's liability insurance. It also does not apply to risk retention groups.

Administration Only premiums subject to the premium tax are reported on quarterly affidavits for surplus line brokers and individual procurement, so premiums eligible for the exemption are not reported to OCI. Staff indicated the new software for non-admitted companies will track this exemption.

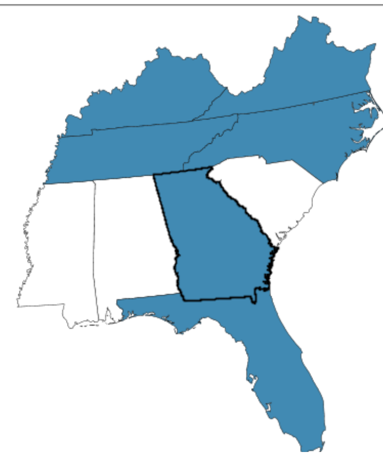
Code Section 35-5-35 **Year Created** 1960

Major Changes in Last 10 Years No major changes were identified.

Other States with Exemption *# of Other SE States*: 6

Six states have an exemption for aircraft and/or railroads engaged in interstate commerce. Florida only exempts aircraft, and Virginia only exempts railroads.

Other states may have an exemption for ocean marine and transportation insurance.



Source: NAIC Retaliation Guide, 2019

Statistical Information

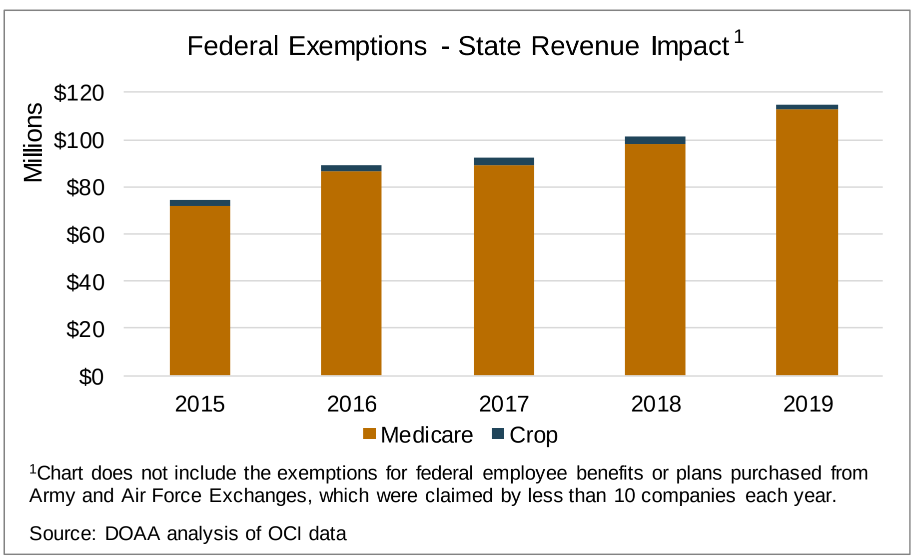
No data was available for this exemption.

Chapter 6: Federal Exemptions

Under federal law and regulation, certain premium types are exempt from state and/or local taxation. Due to their federal source, these exemptions are consistent across all states and cannot be altered by state government.[6] The following are the five federal exemptions known to OCI staff, but there may be additional exemptions not listed.

In 2019, federal exemptions totaled $115.0 million in forgone state revenue and $53.7 million in forgone local revenue. These figures do not include the exemption for federal employee benefits, which was claimed by less than 10 companies. With the exception of flood insurance, all federal exemptions exempt the entity from both state and local premium taxes. Flood insurance is only exempt from local premium taxes.

As shown in the chart below, federal exemptions grew by 55% from 2015-2019, with all of the growth attributable to the Medicare exemption. Medicare was the fourth largest premium tax expenditure in 2019.



[1]Chart does not include the exemptions for federal employee benefits or plans purchased from Army and Air Force Exchanges, which were claimed by less than 10 companies each year.

Source: DOAA analysis of OCI data

[6] It should be noted that, because the federal exemptions are imposed by the federal government, provisions are the same in all states.

Federal Employee Benefits

Description Premiums paid for federal employee benefits, including life, health, vision, and dental, are exempt from state and local taxes.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty		Foreign and Alien	✓

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount All state and local taxes

Exceptions No exceptions were identified.

Administration Premiums for federal employee benefits are reported when the company files its annual return. Staff verify claims against federal code requirements.

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for this exemption, which was claimed by less than 10 companies each year.

Multi-peril Crop Insurance

Description Premiums paid for federal crop insurance are exempt from state and local taxes.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Exemption Applicability

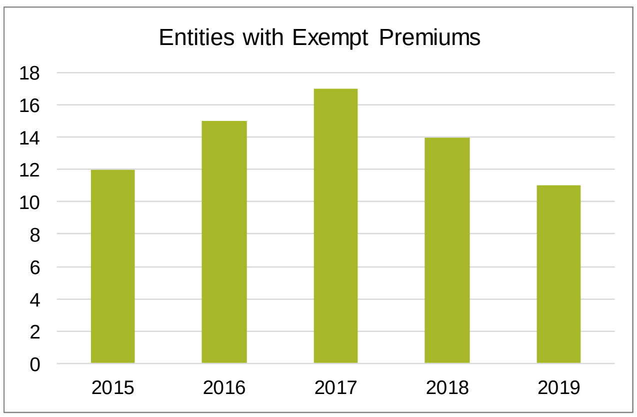
State Premium	Retaliatory	Local Premium
✓	✓	✓

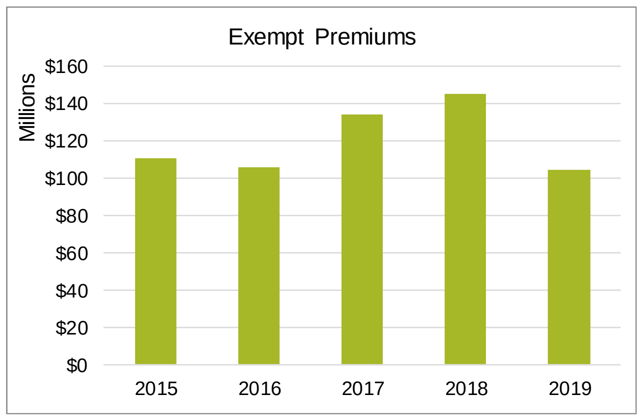
Amount All state and local taxes

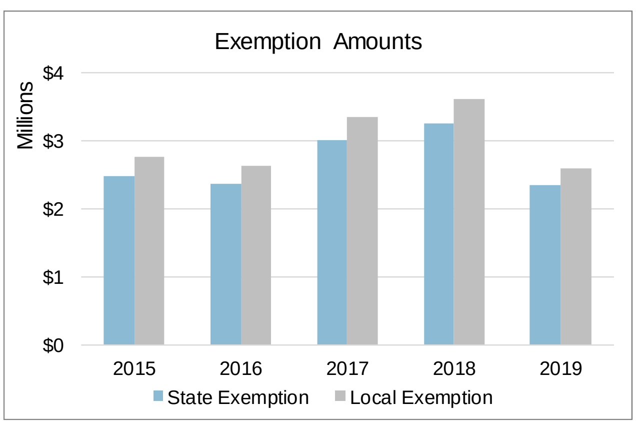
Exceptions No exceptions were identified.

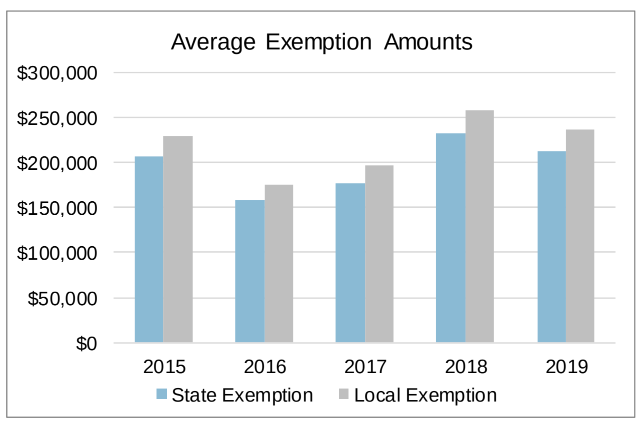
Administration Multi-peril crop premiums are reported when the company files its annual return.

Statistical Information









Flood Insurance

Description Premiums paid for federal flood insurance are subject to state taxes but are exempt from local taxes.

Insurance Class and Domicile State

Life		Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Exemption Applicability

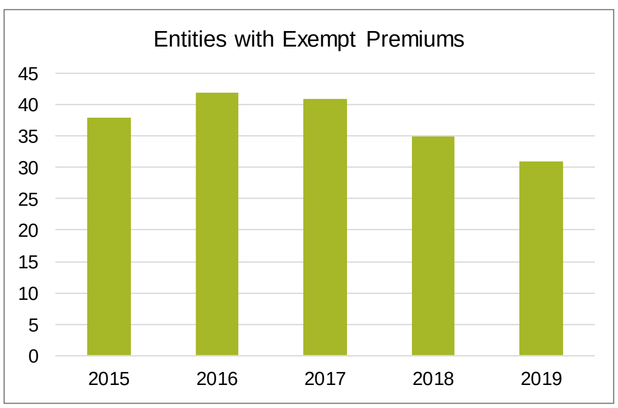
State Premium	Retaliatory	Local Premium
		✓

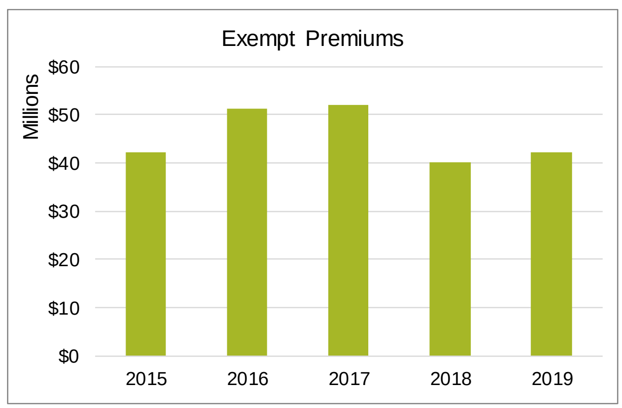
Amount All local taxes

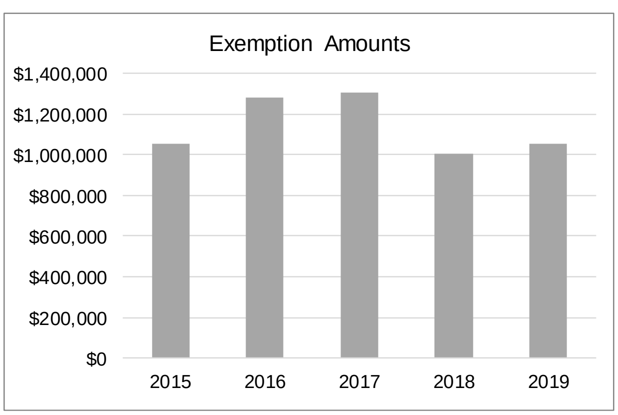
Exceptions No exceptions were identified.

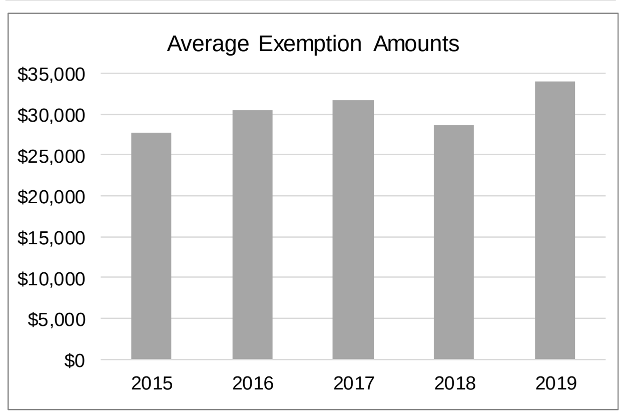
Administration Flood insurance is reported when the company files its annual return. Flood insurance premiums are included as taxable premiums for the state tax but are deducted from the local tax base.

Statistical Information









Medicare

Description Premiums paid to Medicare Choice and other Medicare risk-sharing organizations are exempt from state and local taxes. Medicaid premiums do not have a similar exemption.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty		Foreign and Alien	✓

Exemption Applicability

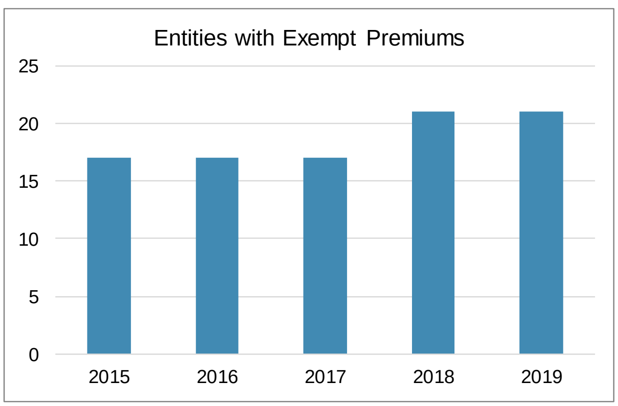
State Premium	Retaliatory	Local Premium
✓	✓	✓

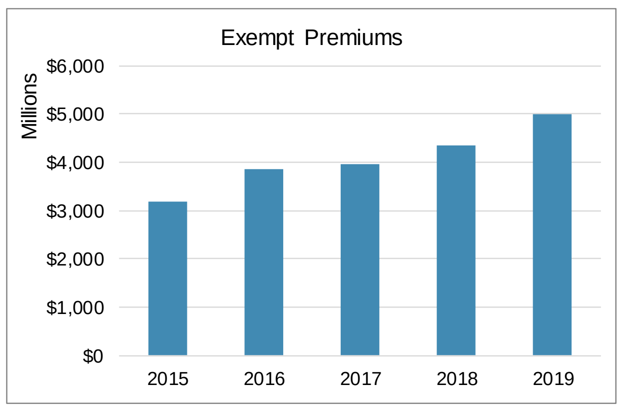
Amount All state and local taxes

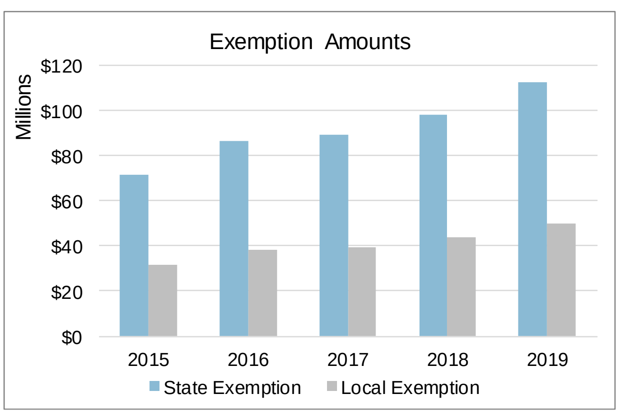
Exceptions No exceptions were identified.

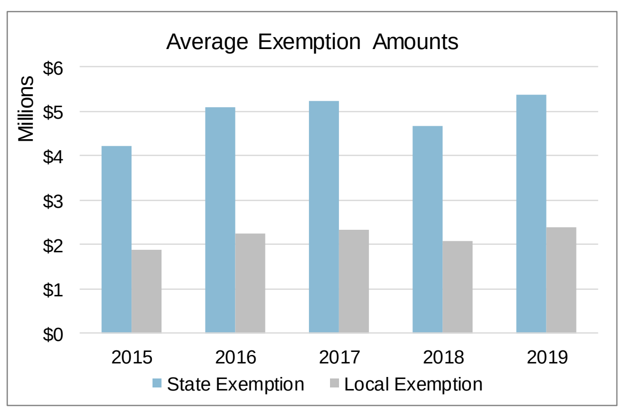
Administration Medicare exemptions are reported when the company files its annual return, where they are deducted from taxable premiums.

Statistical Information









Army and Air Force Exchange

Description

Premiums paid for insurance purchased through Army and Air Force Exchanges are exempt from state and local taxes. The exchanges are typically located on Army and Air Force installations and serve members of the military community.

Insurance Class and Domicile State

Life	✓	Domestic	✓
Property and Casualty	✓	Foreign and Alien	✓

Exemption Applicability

State Premium	Retaliatory	Local Premium
✓	✓	✓

Amount

All state and local taxes

Exceptions

No exceptions were identified.

Administration

Premiums for insurance purchased through Army and Air Force Exchanges are reported when the company files its annual return.

Statistical Information

Due to confidentiality concerns, we are unable to provide statistical information for this exemption, which was claimed by less than 10 companies each year.

Appendix A: Objectives, Scope, and Methodology

Objectives

This report examines the insurance premium tax. Specifically, our examination was designated to serve as a primer that would cover the following:

1. The underlying mechanics of the insurance premium tax.
2. The relevant tax expenditures.

For the objectives above, we set out to:

1. Understand relevant statutory provisions;
2. Document the administration process;
3. Provide descriptive statistics; and
4. Compare to other states' provisions.

Scope

This special examination generally covered premium tax activity that occurred from tax years 2015-2019, with consideration of earlier or later periods when relevant. Information used in this report was obtained by reviewing relevant laws, rules, and regulations; interviewing agency officials and staff from the Office of the Commissioner of Insurance (OCI) and the Department of Community Affairs (DCA); and analyzing data and reports from OCI. We also reviewed documentation from OCI and the National Association of Insurance Commissioners (NAIC). Finally, we reviewed relevant laws of other identified states.

We gained an understanding of agency internal controls as part of our review of the administration of the taxes and tax expenditures, but an assessment of those controls was not within the project's objectives. We also gained an understanding of controls as part of our compilation of statistical information, and our testing was limited to ensuring that the data was reliable for reporting purposes (discussed below).

Methodology

As explained on page 1, we grouped the six classes of insurance in statute into the two broader classes typically used by the industry. In the life category, we included two of the six classes in statute: the life, accident, and sickness class and health maintenance organizations. In property and casualty, we included four of the six classes: property, marine, and transportation; casualty; surety; and title.

To understand statutory provisions, we reviewed relevant state laws that describe the various types of insurance and insurance companies, premium taxes, tax expenditures, and required document filings. We also reviewed federal law and OCI documentation to identify insurance with a federal exemption from state and/or local taxation. Additionally, we researched significant historical changes to the tax and tax expenditure provisions. Finally, we interviewed OCI staff to clarify specific code sections.

To document the administration process, we interviewed OCI and DCA staff regarding how tax amounts are determined, information sources, verification processes, and collection processes. We also reviewed OCI tax forms and policies and procedures documents that describe the tax administration process.

To provide descriptive statistics, we obtained confidential tax information for fiscal years 2015-2019 from OCI's Sircon database, documentation from OCI's audits, and NAIC data. In addition, we interviewed OCI staff to better understand the data.

The data used for the descriptive statistics includes both OCI audited and unaudited tax filings. OCI audits for 2019 returns and approximately 25% of 2018 returns had not been completed at the time the data was provided. Therefore, applicable amounts were based on unaudited annual return data from Sircon, as well as OCI's preliminary audits.

We assessed data obtained from OCI and determined that it was sufficiently reliable for our purposes in most cases. Due to data limitations, we based retaliatory tax liability for risk retention groups on estimates provided by OCI staff. Additionally, reliable data was not available for planes and trains and domestic farmers' mutual fire insurance exemptions; therefore, no statistical information was provided for these exemptions. As noted throughout the report, we did not present statistical information which applied to less than 10 companies for confidentiality purposes.

To simplify calculations, we did not attempt to address potential interactions between tax expenditures. We did not consider the extent to which tax expenditures may reduce tax liability below zero. For example, if a company owed $1 million in premium tax but claimed a $750,000 abatement and a $750,000 deduction, we did not reduce the tax expenditure amounts to $500,000 each. Additionally, when calculating forgone taxes for exempt entities, we did not attempt to determine other tax expenditures they might have qualified for if they had been subject to premium taxes (e.g., whether a fraternal benefit society would be eligible for the abatement if they did not have the exemption). Therefore, we used statutory tax rates to calculate forgone tax revenue for exempt entities.

It is important to note that this report may differ from other published figures due to variations in data sources, methodology, time periods, and other considerations. For instance, the Tax Expenditure Report, published by the Department of Audits and Accounts, provides forecasts for various tax expenditures based on estimated impacts to state revenue collected in future fiscal years. Conversely, this report provides tax expenditure amounts claimed for past tax years, which may not align with the year in which the revenue is collected.

To compare to other states' provisions, we reviewed NAIC documentation which contains premium tax and tax expenditure statutes for all 50 states. We also referenced additional statutory sources for specific states as necessary.

Premium tax information was summarized for all 50 states. However, due to the complexity of the provisions and limitations in available resources, our review of tax expenditures was limited to eight southeastern states (Alabama, Florida, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia).

We conducted this special examination in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B: Premium Tax Expenditures
Tax Years 2015-2019
Ranked by 2019 Values

	Type	2015	2016	2017	2018	2019
State Revenue Impact						
Abatement	Rate Reduction	$143.4 million	$157.1 million	$181.7 million	$190.0 million	$191.5 million
Local Tax	Deduction	$143.7 million	$57.1 million	$167.9 million	$176.8 million	$183.7 million
Low-Income Housing	Credit	$101.2 million	$95.9 million	$107.7 million	$136.0 million	$127.6 million
Medicare	Exemption	$71.7 million	$86.5 million	$89.2 million	$98.0 million	$112.7 million
Guaranty Assessment	Deduction	$3.6 million	$3.6 million	$3.6 million	$17.2 million	$14.0 million
Fraternal	Exemption	$4.7 million	$4.4 million	$4.1 million	$4.3 million	$4.6 million
Municipal License	Deduction	$3.3 million	$3.1 million	$3.1 million	$3.1 million	$3.0 million
Workers' Compensation Group Self-Insurance	Exemption	$2.2 million	$2.8 million	$2.8 million	$2.9 million	$2.8 million
Crop	Exemption	$2.5 million	$2.4 million	$3.0 million	$3.3 million	$2.3 million
Other Tax Expenditures[1]	Combined	$60.9 million	$58.5 million	$45.4 million	$50.5 million	$53.5 million
Total Forgone State Revenue		**$537.3 million**	**$571.4 million**	**$608.4 million**	**$682.0 million**	**$695.8 million**
Local Revenue Impact						
Medicare	Exemption	$31.9 million	$38.5 million	$39.6 million	$43.6 million	$50.1 million
Abatement	Rate Reduction	$35.9 million	$36.1 million	$39.2 million	$40.1 million	$38.7 million
Workers' Compensation Group Self-Insurance	Exemption	$2.5 million	$3.1 million	$3.1 million	$3.2 million	$3.1 million
Crop	Exemption	$2.8 million	$2.6 million	$3.4 million	$3.6 million	$2.6 million
Fraternal	Exemption	$2.1 million	$1.9 million	$1.8 million	$1.9 million	$2.1 million
Flood	Exemption	$1.1 million	$1.3 million	$1.3 million	$1.0 million	$1.1 million
Other Tax Expenditures[2]	Exemptions	$16.3 million	$16.6 million	$16.6 million	$17.7 million	$19.6 million
Total Forgone Local Revenue		**$92.4 million**	**$100.1 million**	**$105.0 million**	**$111.1 million**	**$117.2 million**

[1]Other Tax Expenditures impacting state revenue include (in order of 2019 impact) the federal employee benefits exemption, job tax credit, high-deductible health plan exemption, retaliatory tax deduction, multiple employer self-insured health plan exemption, interlocal risk management agency exemption, and the nonprofits insuring places of worship exemption.

[2]Other Tax Expenditures impacting local revenue include (in order of 2019 impact) the federal employee benefits exemption, interlocal risk management agency exemption, multiple employer self-insured health plan exemption, and the nonprofits insuring places of worship exemption.

Source: DOAA analysis of OCI data

Appendix C: Captive Insurers

Captive insurers are established and wholly owned by one or more parent companies for the purpose of insuring the parent companies' risks. They are a subgroup of admitted companies.

In 2015, House Bill 552 changed taxation for captive insurers. Previously, captive insurers were subject to the same tax structure and rates as other admitted insurers. Captive insurers now pay lower state premium tax rates than other admitted companies, and their total annual tax is limited to $100,000. As shown in the table below, tax rates decline as total premiums increase. Tax rates also vary by whether the premiums are direct or assumed reinsurance.[7] Because they are subject to lower tax rates and have an annual tax limit, captive insurers are not eligible for state rate reductions, exemptions, credits, or deductions. They also do not pay local premium taxes.

Premium Range	Direct Premium Tax Rate	Reinsurance Tax Rate
Up to $20 million	0.4%	0.225%
$20 million-$40 million	0.3%	0.150%
$40 million-$60 million	0.3%	0.050%
Above $60 million	0.3%	0.025%

Source: O.C.G.A. 33-41-22

The House Bill 552 changes lowered the effective tax rate for captive insurers, which has likely led to the increased number of captives and the amount of premiums written by them. As shown in the table below, premiums for captive insurers increased by approximately 580% from 2016-2019, and tax liability increased by approximately 160%. It should be noted that, according to OCI, some entities that previously purchased insurance directly from non-admitted insurers (i.e., individual procurement), created captives in response to the tax change.

	2015[1] (July-Dec)	2016	2017	2018	2019
Entities	14	25	38	40	45
Premiums *(in millions)*	$64.7	$292.6	$620.4	$567.6	$1,989.7
State Tax Liability	$199,924	$375,239	$867,571	$851,861	$990,736
Median Effective Tax Rate	0.4%	0.4%	0.4%	0.4%	0.4%

[1]HB 552 took effect on July 1, 2015, so captive insurers paid the same taxes as other admitted insurers for the first half of 2015. There were less than 10 captives during this period, so we are unable to provide statistical information for those companies' taxes.

Source: DOAA analysis of OCI data

The median effective tax rate for captive insurers was 0.4% in 2019. In comparison, the median effective tax rate for other admitted insurers was 3.7% in 2019, and the median effective tax rate for individual procurement was 4.0%.

[7] Direct premiums are paid by the insured entities to the insurer, while reinsurance premiums are paid by the entities' insurer for the reinsurer to assume some or all the losses of the insured entities. For example, a workers' compensation insurer may purchase reinsurance to cover high-cost claims.

Appendix D: Annual Tax Return for Admitted Companies

Office of Commissioner of Insurance and Safety Fire
Protect | Enforce | Educate | Inform

2020 Annual Premium Tax Return

DUE MARCH 1, 2021

Report of ______________________________ , chartered in the state of ______________

showing gross direct premiums received and premium tax due in the state of Georgia for the year ended December 31, 2020.

TYPE OF COMPANY: ☐ **LIFE AND A&S** ☐ **HMO** ☐ **P&C* AND SURETY** ☐ **TITLE** ☐ **OTHER:** ______________

* Companies writing Property enter amount of Georgia Fair Plan Premiums reported on:

Schedule T/State Page $ ______________ and/or GID-203-PT Reconciliation $ ______________

COMPANY NAIC#/ORGID: ______________ ORIGINAL ☐ AMENDED ☐

1.	Gross direct premium received on policies issued, excluding annuities. * * Attach Form GID-203-PT if premiums do not agree with Annual Statement. See Instructions for definition of premiums.	$	
2.	Less premiums returned and dividends paid		
3.	Taxable premiums (Line 1 minus Line 2)		
4.	Amount of premium tax (Line 3 times 0.0225)	$	
	ABATEMENTS AND DEDUCTIONS		
5.	Allowed under O.C.G.A. §33-8-5 as shown on Form GID-014-PT	$	
6.	Allowed under O.C.G.A. §33-8-7 as shown on Form GID-015-PT (Domestic P&C only)		
7.	Allowed under O.C.G.A. §33-8-8 as shown on Form GID-017A-PT (Life, A&S, and HMO only)		
8.	Life and A&S guaranty assessments paid - O.C.G.A. §33-38-22 (See instructions)		
9.	County/Municipal taxes paid to Commissioner in 2020 O.C.G.A. §33-8-8.1 (Life, A&S, and HMO only)		
10.	TOTAL ABATEMENTS AND DEDUCTIONS	$	( )
11.	Premium tax net of abatements and deductions (Line 4 minus Line 10) (if negative, enter 0.00)	$	
12.	Georgia Premium Tax Credits (attach Form GID-205-PT)	$	( )
13.	Retaliatory tax required by O.C.G.A. §33-3-26 as shown on Form GID-013-PT	$	
14.	GARJA Tax Credit under §33-1-25 (attach Form GID-205-PT and GID-501-PT)		( )
15.	Total tax liability (Line 11 Minus Line 12 Plus Line 13 minus Line 14) (if negative, enter 0.00)	$	
	PREPAYMENTS AND CREDITS		
16.	(a) Prepayment Quarter 1 $ ______ (Do not include overpayment credit applied)		
	(b) Prepayment Quarter 2 $ ______ (Do not include overpayment credit applied)		
	(c) Prepayment Quarter 3 $ ______ (Do not include overpayment credit applied)		
	(d) Prepayment Quarter 4 $ ______ (Do not include overpayment credit applied)		
	(e) Prior Year Overpayment $ ______ (2019 Form GID-12, Line 17 if credit balance)		
	(f) IF AMENDED, paid with original return $ ______ (Do NOT include processing fee paid.)		
17.	TOTAL PREPAYMENTS AND CREDITS (Sum of Line 16a through 16f)	$	( )
18.	RESERVED		
19.	BALANCE DUE (Line 15 minus Line 17) IF POSITIVE AMOUNT, **ADD Line 18** and complete form GID-012V-PT if paying by check.	$	
20.	Quarterly Breakdown of Premium Collections * Required of all insurance companies regardless of tax payment method used on quarterly prepayments. Breakdown total must equal Line 3. (a) Quarter 1 $ (b) Quarter 2 $ (c) Quarter 3 $ (d) Quarter 4 $ (e) TOTAL COLLECTIONS $		

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

ELECTRONIC FILERS: ☐ Fill-in name, email and phone number below. By checking this box, I am acknowledging that I am a legally authorized representative of the company and have the authority to e-file the premium tax statement.

FILER'S INFO	Corporate Officer's Name	Corporate Officer's Email Address	Phone Number

Premium Tax Division
P.O. Box 935134 | Atlanta, Georgia 31193-5134 | 404-656-7553 | premiumtax@oci.ga.gov

1 of 1
Form #: GID-012-PT | NOV2020

Source: OCI document

Appendix E: State Premium Taxes Across U.S.

Admitted Insurers[1]				*Non-Admitted Insurers*		
State	**Life**	**Property & Casualty**	**Captives**[2]	**Risk Retention**	**Individual Procurement**	**Surplus Lines**
Alabama	2.30%	3.60%	0.025% - 0.40%	3.60%	4.00%	6.00%
Alaska	2.70%	2.70%	N/A	2.70%	3.70%	2.70%
Arizona	1.80%	1.80%	N/A	1.80%	3.00%	3.00%
Arkansas	2.50%	2.50%	0.025% - 0.25%	4.00%	2.00%	4.00%
California	2.35%	2.35%	N/A	2.35%	3.00%	3.00%
Colorado	2.00%	2.00%	N/A	2.00%	3.00%	3.00%
Connecticut	1.50%	1.50%	0.024% - 0.38%	4.00%	4.00%	4.00%
Delaware	2.00%	2.00%	0.001% (direct premiums) 0.002% (reinsurance premiums)	2.00%	3.00%	3.00%
Florida	1.75%	1.75%	N/A	Domestic: 1.75% Foreign: 5.00%	5.00%	5.00%
Georgia	2.25%	2.25%	0.025% - 0.40%	4.00%	4.00%	4.00%
Hawaii	2.75%	4.27%	0.05% - 0.25% (Exempts premiums >$250M)	Varies based on volume of premiums	4.68%	4.68%
Idaho	1.50%	1.50%	N/A	1.50%	1.50%	1.50%
Illinois	0.50%	0.50%	N/A	0.50%	3.50%	3.50%
Indiana	1.30%	1.30%	N/A	1.30%	N/A	2.50%
Iowa	1.00%	1.00%	N/A	1.00%	1.00%	1.00%
Kansas	2.00%	2.00%	N/A	Domestic: 2.00% Foreign: 6.00%	N/A	6.00%
Kentucky	1.50%	2.00%	N/A	2.00%	2.00%	3.00%
Louisiana	Varies based on volume of premiums	Varies based on volume of premiums	Varies based on volume of premiums	Varies based on volume of premiums	Varies based on volume of premiums	4.85%
Maine	2.00%	2.00%	Exempt	2.00%	N/A	3.00%
Maryland	2.00%	2.00%	N/A	2.00%	3.00%	3.00%
Massachusetts	2.00%	2.28%	N/A	2.28%	N/A	4.00%

	Admitted Insurers			*Non-Admitted Insurers*		
State	**Life**	**Property & Casualty**	**Captives**	**Risk Retention**	**Individual Procurement**	**Surplus Lines**
Michigan	Greater of single business tax, income tax, or retaliatory tax	Greater of single business tax, income tax, or retaliatory tax	Exempt	2.00%	2.00%	2.00%
Minnesota	1.50%	2.00%	N/A	2.00%	2.00%	3.00%
Mississippi	3.00%	3.00%	N/A	3.00%	4.00%	4.00%
Missouri	2.00%	2.00%	N/A	2.00%	5.00%	5.00%
Montana	2.75%	2.75%	0.05% - 0.40%	2.75%	N/A	2.75%
Nebraska	1.00%	1.00%	0.25%	1.00%	3.00%	3.00%
Nevada	3.50%	3.50%	0.025% - 0.40%	Domestic: 3.50% Foreign: 2.00%	3.50%	3.50%
New Hampshire	1.25%	1.25%	N/A	1.25%	4.00%	3.00%
New Jersey	2.10%	2.10%	N/A	Domestic: 2.10% Foreign: 5.00%	5.00%	5.00%
New Mexico	3.00%	3.00%	N/A	3.00%	3.00%	3.00%
New York	0.70%	2.00%	N/A	2.00%	3.60%	3.60%
North Carolina	1.90%	1.90%	N/A	5.00%	5.00%	5.00%
North Dakota	2.00%	1.75%	N/A	1.75%	1.75%	1.75%
Ohio	1.40%	1.40%	N/A	Domestic: 1.40% Foreign: 5.00%	5.00%	5.00%
Oklahoma	2.25%	2.25%	N/A	2.25%	6.00%	6.00%
Oregon	N/A	N/A	N/A	N/A	N/A	N/A
Pennsylvania	2.00%	2.00%	N/A	Domestic:1.25% (based on capital stock) Foreign: 2.00%	3.00%	3.00%
Rhode Island	2.00%	2.00%	N/A	2.00%	4.00%	4.00%
South Carolina	0.75%	1.25%	0.025% - 0.40%	1.25%	N/A	4.00%
South Dakota	Varies based on volume of premiums	2.50%	N/A	2.50%	2.50%	2.50%
Tennessee	1.75%	2.50%	0.025% - 0.40%	2.50%	N/A	5.00%
Texas	Varies based on volume of premiums	1.60%	N/A	1.60%	4.85%	4.85%
Utah	Varies based on volume of premiums	2.25%	N/A	2.25%	4.25%	4.25%
Vermont	2.00%	2.00%	0.024% - 0.38%	2.00%	3.00%	3.00%
Virginia	2.25%	2.25%	N/A	2.25%	N/A	2.25%

	Admitted Insurers			Non-Admitted Insurers		
State	**Life**	**Property & Casualty**	**Captives**	**Risk Retention**	**Individual Procurement**	**Surplus Lines**
Washington	2.00%	2.00%	N/A	2.00%	N/A	2.00%
West Virginia	3.00%	3.00%	N/A	4.00%	N/A	4.00%
Wisconsin	Varies based on volume of premiums	2.00%	N/A	3.00%	3.00%	3.00%
Wyoming	0.75%	0.75%	N/A	0.75%	3.00%	3.00%
Average Rate	1.92%	2.07%	N/A	2.27%	3.44%	3.58%
Minimum	0.50%	0.50%	0.001%	0.50%	1.00%	1.00%
Maximum	3.50%	4.27%	0.40%	5.00%	6.00%	6.00%

[1] In general, tax rates reflect primary rates for life and property and casualty insurers; however, there may be variation at the subcategory level. For instance, a state may charge a different rate for accident and health insurance under the life insurance category.
[2] Tax rate ranges denote graduated rates based on volume premiums. The source document did not contain specified rates for captives labeled N/A, which likely signifies these are taxed at the same rate as the applicable category (life or property and casualty).

Source: NAIC Retaliation Guide, 2019

Appendix F: Other States' Local Premium Taxes

State[1]	Type	Rate	Description
Alabama	Municipal	Up to 4%	Fire and Marine Property & Casualty Insurance: Up to 4% on each $100 of gross premiums. Other Insurance: Based on size of city or town.
Florida	Municipal	Varies	Casualty Insurance: 0.85% tax on gross premiums covering property within city limits. Funds are earmarked for Police Officers' Retirement Fund. Other Insurance: 1.85% tax on gross premiums for risks within jurisdictions. Funds are earmarked for Firefighters' Pension Fund. Multi-Peril Insurance: Subject to apportionment of 70% property and 30% casualty for allocation. Funds are earmarked for both Police Officers' Retirement and Firefighters' Pension Fund.
Georgia	Municipal & County	Varies	Life Insurance: 1% tax on gross direct premiums Property & Casualty Insurance: 2.5% on gross direct premiums
Kentucky	Municipal & County	Varies	Based on amount of premiums. Tax rate varies by county and insurance class (e.g. life, casualty). Rates range from 2%-16%.
Louisiana	Municipal	Varies	Life Insurance: Graduated rate based on volume of premiums (e.g., life insurers are taxed $10 on premiums up to $2,000 and $70 on each additional $10,000 with a maximum tax of $21,000 Other insurance: Graduated rate based on volume of premiums with a maximum tax of $9,000
Mississippi	Municipal (One City)	0.50%	Fire & Lightning Insurance: Tax equal to 0.50% on fire and lightning insurance. Funds are earmarked for Municipal Employee Retirement Fund. Applicable only within one city.
South Carolina	Municipal	Varies	Life Insurance: 0.75% tax on premiums collected in municipality. Property & Casualty Insurance: 2% tax on premiums collected in municipality.

[1]West Virginia and Missouri authorize local governments to levy taxes; however, the amount imposed in each state is no more than $200 and appears more similar to a fee.

Source: NAIC Retaliation Guide, 2019

The Performance Audit Division was established in 1971 to conduct in-depth reviews of state-funded programs. Our reviews determine if programs are meeting goals and objectives; measure program results and effectiveness; identify alternate methods to meet goals; evaluate efficiency of resource allocation; assess compliance with laws and regulations; and provide credible management information to decision makers. For more information, contact us at (404)656-2180 or visit our website at www.audits.ga.gov.