informational
paper #8

taxation of insurance companies

legislative fiscal bureau
state of wisconsin
january 2021

Taxation of Insurance Companies

Prepared by

John D. Gentry

Wisconsin Legislative Fiscal Bureau
One East Main, Suite 301
Madison, WI 53703
http://legis.wisconsin.gov/lfb

Taxation of Insurance Companies

This paper provides background information on the taxation of insurance companies in Wisconsin. While the main topic is the separate state premiums tax imposed on certain insurance companies, the imposition of the state corporate income/franchise tax is also discussed.

In order to put the taxation of insurance companies in focus, information is provided on the characteristics of the insurance industry and the Wisconsin operations of some of the major companies in different lines of insurance. The regulatory role of the Office of the Commissioner of Insurance (OCI) is also discussed briefly. Finally, a discussion of the rationale and issues of insurance taxation is presented and the insurance tax provisions of other states are outlined.

The Insurance Sector

Characteristics of the Insurance Industry

Insurance may be defined as an economic system for reducing the uncertainty of financial loss by transferring the risk of loss to a corporate insurer for a price. Based upon the types of risks that are covered, the insurance industry can be divided into two principal segments: (a) life and health insurance; and (b) property and casualty insurance.

The life and health insurance industry provides three principal types of coverage--life insurance, accident and health insurance, and annuities.

Life insurance provides protection against economic losses resulting from the death of an individual during a specific period of time. For example, under a pure "term" life insurance policy, the insured pays a premium which obligates the insurance company to pay a specific sum in the event of the insured's death during the term of the policy. Term insurance is the most straightforward type of life insurance policy in that the premium provides coverage only in the event of death during the policy's specified term.

Certain life insurance policies perform a bank-like function in that policyholder premiums are invested by the insurer on behalf of the insured. Income from such investments is credited to the policyholder's account in determining the policy's "cash surrender value," which is the amount which the insured would receive if he or she cancels the policy. Under this type of policy (variable, universal, and whole life insurance are examples), a portion of the premium paid by the policyholder is used to provide coverage in the event of death and a portion is deposited in a savings-type account which earns investment income. The balance of this account determines the policy's cash surrender value at any given time. Certain life insurance agreements also permit the insured to borrow funds against the cash balance of the policy. Life insurance is primarily sold on an individual basis. However, group and industrial policies and specialized coverages, such as credit life insurance, are also available.

Accident and health insurance protects against the costs of hospital and medical care which may arise in the event of accident or sickness. Most accident and health insurance is sold through employee plans and other group policies. Although accident and health coverage is generally grouped with life insurance, such policies are sold by property and casualty insurers as well.

Annuities are often used to set aside income for retirement. Under an annuity agreement, the insurer receives premium payments (or a single payment), which obligates it to provide specific periodic benefit payments at a later date. Annuities are often sold in conjunction with pension plans.

Property and casualty insurers protect individuals and businesses against a wide range of risks including automobile liability and physical damage, fire, medical malpractice, homeowners' property damages and liability, worker's compensation, general liability, and other more specialized risks. Property and casualty insurers market their products through a system of independent agents, although a significant portion of such coverage is sold directly by the underwriter. The insurance is usually purchased by individual consumers or businesses, rather than on a group basis.

Insurance companies can also be categorized based upon the organizational structure of the firm. In general, insurers are organized either as stock corporations or mutual companies. For a stock corporation, the insurance company is owned by stockholders to whom the firm's profits accrue in the form of retained earnings or dividends. In this form of ownership, policyholders of the insurer are customers and generally have no ownership interest in the firm. In contrast, under a mutual company, the policyholders actually acquire an ownership interest in the insurer throughout the duration of the policy. Profits are distributed to insureds through policyholder dividends.

In Wisconsin, most property and casualty insurers are organized as stock companies and these companies account for a majority of the industry's business. The situation is similar in the life insurance industry, with a majority of stock companies writing the majority of insurance. According to 2019 data, there were 864 property and casualty insurers organized as stock corporations operating in Wisconsin with direct premiums earned of $7,939.6 million; of these firms, 76 were domestic companies. In comparison, 91 mutual property and casualty insurers had Wisconsin direct premiums earned of $3,093.9 million in 2019. Of these insurers, 29 were domestic companies. (Domestic insurers are those companies that are organized under Wisconsin law; foreign insurers are companies organized under the laws of another state.)

In the life and health insurance industry, 405 stock corporations had Wisconsin direct premiums written totaling $16,663.4 million. Of these companies, 24 were domiciled in Wisconsin. Mutual life and health insurance companies operating in Wisconsin totaled 24 in 2019, of which three were Wisconsin-based firms. Total Wisconsin direct premiums written for mutual life and health insurers were $1,823.0 million. A number of firms providing insurance in Wisconsin operate under structures other than the stock corporation or mutual company form of ownership. These include health maintenance organizations, fraternal benefit societies, and other insurers.

Economic Data

During calendar year 2019 a total of 1,950 insurance companies wrote Wisconsin premiums totaling approximately $41,312.8 million. Of these companies, 332 were domestic insurers and 1,618 were foreign insurers. A breakdown of Wisconsin insurance premiums by line of insurance is provided in Table 1.

The largest share of premiums was in the accident and health line, which consists of group, individual, and credit accident and health insurance. Of the $19,704.9 million accident and health direct premiums earned, group policies totaled $10,147.9 million. Six companies accounted for about 50.9% of the market. Quartz Health Benefit Plans Corporation had the largest, with a 12.0% share. The other five companies with the top market shares included United Healthcare Insurance Company (11.5%), Dean Health Plan, Inc. (9.2%), Blue Cross Blue Shield of Wisconsin (8.0%), WEA Insurance Company (5.7%), and Sierra Health & Life Insurance Company, Inc. (4.5%). Of the $9,547.2 million individual accident and health market, the leaders were United Healthcare of Wisconsin, Inc. with a 22.1% market share and

Table 1: 2019 Wisconsin Insurance Premiums Data

Line of Insurance	Wisconsin Premiums	
Life*	$4,235,942,896	
Ordinary		$2,735,142,986
Group		1,490,737,728
Credit Life		8,504,887
Industrial		1,557,295
Annuities	6,507,849,512	
Accident and Health**	19,704,941,459	
Group		10,147,891,184
Individual		9,547,167,549
Credit		9,882,726
Automobile**	3,955,330,257	
Private Passenger Cars		3,308,372,082
Commercial Vehicles		646,958,175
Multiple Peril**	2,432,331,559	
Homeowners		1,512,151,556
Commercial		728,245,935
Farmowners		191,934,068
Fire**	184,714,888	
All Other Lines**	4,291,673,401	
Workers' Compensation		1,934,925,669
Liability Other Than Auto		870,366,714
Title		183,199,058
Mortgage Guarantee		122,443,636
Medical Malpractice		64,754,104
Surety		62,273,511
Fidelity		22,848,157
Credit		19,946,654
Excess Workers Compensation		10,358,715
All Other		1,000,557,183
Industry Total	$41,312,783,972	

*Includes direct premiums written, annuity, deposit, and other considerations, and policyholder dividends used for renewals and paid up additions.
**Premiums earned by companies, rather than premiums written.

Source: Wisconsin Insurance Report, Business of 2019

Security Health Plan of WI Inc. with 10.0%. In addition, credit policies accounted for $9.9 million of accident and health insurance direct premiums, of which CMFG Life Insurance Company had a 36.4% market share.

The next largest insurance market was life insurance with direct premiums earned of $4,235.9 million. The largest share of this sector was ordinary life, led by the Northwestern Mutual Life Insurance Company, which accounted for 19.0% of the total. Group, credit, and industrial life insurance make up the remainder of the market. The group and credit life sectors had direct premiums and deposits of $1,490.7 million and $8.5 million, respectively. New York Life Insurance & Annuity Corporation led the group sector, accounting for a market share of 56.0%, while the next largest market share was Minnesota Life Insurance Company with 6.5% of the market. The credit market was led by six firms which, together, accounted for over 96.7% of the total market. These companies were American Health & Life Insurance Company (34.0%), CMFG Life Insurance Company (24.0%), Minnesota Life Insurance Company (14.7%), Pekin Life Insurance Company (11.0%), Central States Health and Life Company of Omaha (8.4%), and American Republic Insurance Company (4.6%). Annuity policies are related to life insurance, and $6,507.8 million in such premiums were written in 2019. The market leader was Principal Life Insurance Company with 11.0% of the market.

Following life insurance was automobile insurance, with direct premiums earned of $3,955.3 million. Private passenger car insurance accounted for $3,308.4 million, with the market leaders being American Family Mutual Insurance Company Stock Insurer (13.5% market share) and State Farm Mutual Automobile Insurance Company (13.0% share). Commercial vehicle insurance accounted for the remaining $647.0 million; the market leader, Acuity A Mutual Insurance Co., had a 9.0% market share.

Other significant lines were multiple peril insurance and workers' compensation, with direct premiums earned totaling $2,432.3 million and $1,934.9 million, respectively. The remaining premiums were accounted for by fire, other liability, medical malpractice, and all others.

Regulation

In general, states regulate private insurance companies that do business in that state. In Wisconsin, the Office of the Commissioner of Insurance has broad responsibility for oversight of the insurance industry. OCI monitors the financial solvency of insurance companies, reviews rates and policy documents submitted by insurers, issues licenses for companies and professionals in the insurance industry, and conducts consumer protection activities such as investigation of complaints. In addition to these regulatory activities, the Bureau of Financial Analysis and Examinations collects premium taxes owed by insurers.

Insurance Security Fund (ISF). State law creates the ISF to protect policyholders in the event that a member insurance company becomes insolvent. The fund continues insurance coverage during an insurer's liquidation and pays claims under most life, annuity, casualty, and health insurance policies. The fund does not cover many other types of insurance (for example, title insurance, product liability insurance, and surplus lines). The ISF is funded via assessments of insurers licensed to do business in Wisconsin.

Unauthorized Insurers and Surplus Lines Insurance. Generally, surplus line insurance covers risks that standard insurance policies do not. This is typically because a risk is unusual, unique, or has a high limit such that the authorized insurers in the state would not provide the type or amount of coverage needed.

Because more flexibility is required, surplus lines insurance historically has been placed with "unauthorized" insurers. Unauthorized insurers do not hold a valid certificate of authority to do insurance business in this state, but are insurers domiciled in other states and countries. Because such companies are subject to less restrictive regulations than those that apply to authorized insurance companies, unauthorized insurers have more flexibility in designing their policies.

Nondomestic unauthorized insurers may accept business in Wisconsin only through surplus lines agents who are licensed by OCI. Most risks may be covered by unauthorized insurers (except, for example, title insurance, mortgage guaranty insurance, accident and health policies, worker's compensation insurance, and policyholders who purchase their medical malpractice coverage from an insurer licensed in Wisconsin in order to participate in the Wisconsin Injured Patients and Families Compensation Fund). An important drawback to unauthorized insurance is that it is not eligible to participate in the ISF. As a result, policy holders may not have protection in the event that the insurer becomes insolvent.

Domestic insurance companies may also provide surplus lines insurance coverage, subject to certain conditions (including that the insurer has capital and surplus of at least $15 million and is authorized to provide surplus lines coverage in at least one other state). Domestic surplus lines insurers are prohibited from offering insurance other than surplus lines insurance.

Insurance Taxation in Wisconsin

Wisconsin's taxation of insurance companies is administered by two separate agencies. OCI administers and collects the premiums tax on certain domestic and most foreign insurance companies, as well as a gross investment income tax on certain domestic life insurers. The Department of Revenue (DOR) administers and collects the corporate franchise tax on certain domestic insurers. A company that writes multiple lines of insurance is subject to the tax that applies to each line. In addition, certain types of companies are allowed a partial or complete exemption from state and local taxes. (A

Table 2: Wisconsin Taxation of Insurance Companies

Type of Insurance	Type of Company	Tax
Life	Foreign (non-Wisconsin-based)	2% of gross premiums
	Domestic (Wisconsin-based)	
	a. Total insurance of $750 million or less	Lesser of 2% of gross premiums or 3.5% of a portion of gross investment income
	b. Total insurance more than $750 million	Greater of 2% of gross premiums or 3.5% of a portion of gross investment income
Accident & Health	Foreign	2% of gross premiums
	Domestic	Corporate franchise tax not to exceed 2% of gross premiums
Mortgage Guarantee	Foreign	2% of gross premiums
	Domestic	2% of gross premiums
Fire	Foreign	2.375% of gross premiums
	Domestic	Corporate franchise tax not to exceed 2% of gross premiums
Ocean Marine	Foreign	0.5% of gross premiums
	Domestic	Corporate franchise tax not to exceed 2% of gross premiums
Other Property & Casualty	Foreign	2% of gross premiums
	Domestic	Corporate franchise tax not to exceed 2% of gross premiums
Surplus Lines	Foreign	3% of gross premiums
	Domestic	3% of gross premiums
Annuity/Life	All types of companies	Exempt
All types of insurance	Town mutual	Exempt
All types of insurance	Fraternal benefit society	Exempt
All types of insurance	Nonprofit cooperative	Exempt
All types of insurance	Self-insurers	Exempt

separate 2% tax on fire insurance premiums is also imposed; however, because this is operated as a separate program and used for local distribution, it is not discussed here. The separate 2% tax on fire insurance premiums is described in the Legislative Fiscal Bureau's informational paper entitled "Fire Department Dues Program.")

Table 2 outlines the tax provisions affecting different types of companies and lines of insurance. As shown in Table 2, foreign insurers of most types are taxed differently than similar Wisconsin companies.

Corporate Franchise Tax

The Wisconsin corporate franchise tax is imposed on most domestic nonlife insurance companies and the nonlife insurance business of domestic life insurers. The tax is imposed at a flat rate of 7.9% on taxable income. However, an insurer's franchise tax liability may not exceed the liability calculated under the 2% gross premiums tax.

When a corporation that is an insurance company determines its Wisconsin income, certain aspects of its tax liability are computed differently than for other corporations. In addition to the state adjustments to federal income made by corporations, there are further additions specific to insurance companies. Insurance companies must add the following to federal income: (a) loss carryforward, including any capital loss carryforward previously deducted for Wisconsin purposes, that was deducted in computing federal taxable income; (b) dividend income received during the tax year to the extent the dividends were deducted from, or not included in, federal taxable income; and (c) any deduction for discounting unpaid losses (customer claims). Insurance companies must also adjust net business losses to exclude the dividends received deduction.

For some insurance companies, the resulting total income must be apportioned. For domestic companies that sell both life and nonlife insurance, only the company's income attributed to the net gain from nonlife insurance operations (as a portion of the company's total net gain from operations) is included in taxable income. Multi-state firms must apportion income to Wisconsin based on a single premiums factor formula (ratio of premiums in Wisconsin to total premiums). Insurance companies that are members of a unitary combined group report their income on the group's combined return.

Under federal law and under state law as well, insurance companies (other than life insurance companies) are generally exempt from the corporate income tax if their gross receipts for the tax year are $600,000 or less and the premiums received exceed 50% of gross receipts. (For mutual insurance companies gross receipts cannot exceed $150,000 and premiums must exceed 35% of gross receipts.) If net written premiums do not exceed $1.2 million for a property and casualty insurance company, the company may elect to only have its taxable investment income taxed. (Life insurance companies are subject to the state insurance premiums tax, but not the state corporate franchise tax.)

Insurance Premiums Tax

This section describes the taxes administered by OCI. These taxes include premiums taxes imposed at varying rates on all foreign insurers and domestic mortgage guarantee insurers and a flat rate gross investment income tax imposed on life insurers.

The tax base (taxable premiums) for companies subject to the premiums tax is equal to gross Wisconsin premiums for direct insurance minus return premiums and cancellations and returns from savings and gains on all insurance other than reinsurance by the insurer (generally dividends paid by insurers to policyholders) during the previous year.

As shown in Table 2, foreign insurers writing the following lines of insurance are subject to the premiums tax rate: (a) fire, 2.375%; (b) ocean marine, 0.5%; and (c) casualty, including inland marine, accident and health, automobile, surety, title, 2%. Domestic nonlife insurers pay the corporate franchise tax not to exceed the liability calculated under the 2% gross premiums tax. Mortgage guarantee insurers, whether foreign or domestic, are subject to a 2% premiums tax. Similarly, both foreign and domestic surplus lines insurers are subject to a 3.0% premiums tax.

Foreign life insurance companies are subject to a 2% premiums tax. Domestic life companies with over $750 million of insurance are subject to a 3.5% tax on a portion of gross investment income or 2% of premiums, whichever is greater. Domestic life companies with $750 million or less of insurance are subject to the 3.5% investment income tax or 2% premiums tax, whichever is less. The base for the life insurance investment income tax is total investment income from life insurance operations less a deduction for additions to reserves. Premiums and contracts for annuities are also excluded.

Taxable insurers are required to make quarterly reports and payments of estimated tax, as well as filing a return at the close of the year.

Wisconsin taxes insurance premiums by employing both "reciprocal" and "retaliatory" provisions, intended to equalize the state tax treatment of insurers operating in more than one state. Most other states utilize retaliatory taxation but do not provide reciprocity. The reciprocal statute provides that foreign (non-Wisconsin) insurers doing business in the state shall pay no additional and no higher taxes, fees, or other charges than their home state imposes on similar Wisconsin insurers operating there. This provision allows a foreign insurer to be taxed at rates lower than those specified in the Wisconsin statutes, if its home state imposes a lower tax. The limitations on the reciprocal statute are that: (a) it does not apply to alien (non-U.S.) insurers; (b) life insurance taxes may not be less than the Wisconsin statutory rates; and (c) fire and ocean marine premiums may not be less than a minimum rate of 0.375%.

The retaliatory statute specifies that Wisconsin may impose higher taxes than its statutory rate on a foreign insurer doing business in the state, to the extent that the insurer's home state imposes a tax on Wisconsin firms operating there that is higher than Wisconsin's statutory rate. The retaliatory provision is intended to apply broadly, including alien insurers; however, due to practical enforcement problems and preemption by U.S. treaties with other countries, alien insurers are generally taxed at Wisconsin's statutory rate.

Due to the interaction of the reciprocal and retaliatory provisions, few foreign insurers are taxed at Wisconsin's statutory rates; instead, they are generally taxed at the rates imposed by their home states. The issue of retaliatory taxation and reciprocity is discussed in greater detail later in this paper.

Table 3 shows insurance premiums tax collections as a percent of general fund taxes for fiscal years 2009-10 through 2019-20.

Table 3: Wisconsin Insurance Premiums Tax ($ in Millions)

Year	Amount	% Change	% of General Fund Taxes
2009-10	$130.7	-4.1%	1.08%
2010-11	140.0	7.1	1.08
2011-12	148.1	5.8	1.10
2012-13	159.3	7.6	1.13
2013-14	165.8	4.1	1.19
2014-15	165.5	-0.2	1.14
2015-16	177.3	7.2	1.17
2016-17	181.6	2.4	1.17
2017-18	186.3	2.6	1.15
2018-19	194.4	4.3	1.12
2019-20	217.4	11.8	1.24

Insurance Company Tax Credits

The state offers a number of tax credits for businesses. Most of the credits are based on in-state employment or investment. With one exception, all business tax credits available to corporate income/franchise tax filers are available to insurance companies that file under the corporate franchise tax. The manufacturing and agriculture tax credit is not available to insurance companies that pay the franchise tax.

A limited number of credits are available to insurance companies that pay the insurance premiums tax and domestic life insurance companies that pay the gross investment income tax. Specifically, the credits that may be used to offset premiums tax or gross investment income tax liability in 2021 are the: (a) early stage seed investment tax credit; (b) insurance security fund assessment tax credit; (c) development opportunity zone credits for environmental remediation and for job creation or retention; and (d) low-income housing tax credit. Detailed descriptions of all of the state's business tax credits can be found in the Legislative Fiscal Bureau's informational paper entitled "Business Tax Credits."

Exempt Insurers

Certain types of insurance companies are exempt from some or all Wisconsin taxes. In addition, premiums from annuity contracts are exempt for all companies (generally life insurers).

Fraternal or mutual benefit societies are exempt from the premiums or gross investment income tax on life premiums, premiums tax or franchise tax on nonlife business, and local property taxes (on up to ten acres of land). These broad exemptions are granted to organizations that provide certain types of insurance, operate under a lodge system and representative organizational government, and serve fraternal, charitable, or benevolent purposes. These organizations are required to report to the Commissioner annually on their fraternal and related activities. During 2019, 44 fraternal benefit societies offered insurance to members.

Fraternals represent a significant portion of the insurance industry in Wisconsin. In 2019, such insurers had Wisconsin premiums of $1,008.2 million. The justification for the tax exemption for insurance written by fraternal benefit societies is that such organizations provide benefits to their members and the public that otherwise would have to be funded from public sources.

Town mutual insurance companies are exempt from franchise and sales taxes. These are nonprofit companies organized under Chapter 612 of the statutes to provide insurance to members in a limited geographic area. In 2019, 54 such companies were registered in the state and had direct premiums earned in Wisconsin of $58.5 million. Town mutual insurers were initially created as informal agreements among individuals living in rural areas because fire insurance was unavailable or too costly for local citizens. Eventually, such agreements evolved into formal insurance organizations.

School benefit insurers are exempt from franchise, property, and sales taxes. These are mutual insurers organized under Chapter 616 of the statutes solely to insure schools against pupil injury or death. No such companies are currently operating in Wisconsin.

Also exempt are insurance plans offered by the state or local governments and self-insurers (individuals or companies which establish an insurance fund or reserve account, rather than purchasing an insurance policy).

As noted, annuity agreements are exempt from the premiums tax for all companies. A number of arguments have been cited as justification for the tax exempt status of annuities. First, it has been suggested that taxing annuity contracts would be equivalent to imposing a tax on deposits in savings accounts. Such a levy could result in inequities between nontaxed savings institutions, such as banks or savings and loan associations, and insurance companies. Further, it has been argued that a tax on annuity premiums would provide a disincentive for people to provide for their own retirement. Finally, because annuities are generally long-term, fixed-price contractual agreements, insurance companies would not be able to pass the burden of a newly-imposed tax on annuities to their current customers.

Rationale and Issues of Insurance Taxation

This section provides a discussion of various issues regarding the taxation of the insurance industry. The section begins with an outline of the financial aspects of the insurance industry and a brief history of insurance taxation. This is followed by a discussion of specific issues, including the advantages and disadvantages of the premiums tax versus income-based taxes, retaliatory taxation, and the Wisconsin reciprocal provision.

Unique Aspects of the Insurance Industry

Because of the nature of the services provided by the insurance industry, certain difficulties arise in determining the net income of insurance companies. Insurance agreements generally obligate the insurance company to pay some monetary benefit in the event of some uncertain occurrence. For example, a life insurance policy may require the insurer to pay $100,000 to a policyholder's beneficiaries should the insured die during the term of the policy. Likewise, an automobile liability insurance policy may provide for a certain maximum dollar amount to compensate other persons for medical expenses or physical damage in the event of an accident caused by the policyholder. To be able to meet such future obligations, insurers may have to use funds in addition to future premiums payments. Thus, a portion of the insurer's assets must be allocated to reserves and invested to provide funds for the potential liabilities it may incur under its policies. Such future obligations are essentially liabilities of the firm (similar to accounts payable). Arguably, additions to insurance company reserves represent expenses which should be deducted from net income for tax purposes.

For both life and health insurance and property and casualty coverage, the timing of benefits is not known under any single policy. In addition, it is uncertain as to what rate of return will be generated by investments of the insurer. As a result, it is difficult to determine the amount of reserves necessary to provide adequate funds for future obligations. This difficulty is compounded for health and property and casualty insurance in that the amount of benefits is also generally unknown. For example, health insurance benefits will depend upon the future health of the policyholder and the type and extent of medical care provided in the event of injury or illness. The amount of benefits paid under liability coverage often depends on such unknown factors as jury decisions regarding culpability and damages. Conversely, the amount of benefits payable under a life insurance policy is usually determined contractually. Because the determination of reserve requirements is generally difficult, it is also difficult to compute the net income of insurers while allowing for needed reserves.

An additional complication is present in cash-value life insurance policies because a portion of the premium and investment income received by the insurer accrues to the savings-like accounts of policyholders. It is argued that amounts which accrue to such accounts, and the investment income earned on such funds, are comparable to the principal and interest earned on individual savings accounts and should not be taxed as income of the insurance company.

Finally, the payment of policyholder dividends by mutual insurance companies poses an additional problem in determining the net income of such insurers. If such payments are treated as a rebate of excessive premium charges, the dividends arguably should be deductible in determining net income. If, on the other hand, policyholder dividends are treated as a distribution of profits to the firm's owners, it can be argued that such transfers should be taxable.

History of Insurance Company Taxation

The federal government has historically taxed the life insurance industry on the basis of income rather than premiums. Prior to 1959, the federal income tax base for such insurers was net investment income. A deduction was permitted for a portion of income deemed necessary to meet future obligations to policyholders. However, the amount of the deduction was based on a specified percentage of reserves or investment income, rather than on the particular experience of individual insurers. Thus, for certain insurance companies, the amount of the allowable deduction was too high while for others the deduction was lower than necessary to accurately reflect the company's financial condition. A further concern was that only investment income was taxed. Underwriting income and profits from other sources were not subject to taxation.

The Life Insurance Company Income Tax Act of 1959 attempted to rationalize the taxation of the life insurance industry. The act taxed life insurance company income from all sources (rather than just investment income) and based the deduction for reserve liabilities on the experience of the individual insurer, rather than on the general experience of the industry. In addition, in order to treat stock corporations and mutual insurers equitably, a limited deduction for policyholder dividends was provided. However, as outlined below, a number of provisions of the 1959 law resulted in taxable income differing from economic income:

a. While net investment income was fully taxable, income from other sources was taxed at 50% or less. This created an incentive for insurers to artificially allocate income and expenses among investment and noninvestment sources.

b. For certain policies, deductions were based on a percentage of premiums, as under prior law, rather than on the actual experience of the insurer.

c. The amount of gross income treated as interest expense exceeded the amounts credited to policyholders to compensate them for the use of their money.

d. Estimates of the amount of reserves for tax purposes often were greater than the amounts required statutorily. Because statutory reserve requirements are set with the objective of preventing insurance company failures, state regulators were primarily concerned with the understatement of reserves by insurers. However, the overstatement of reserves had the effect of reducing taxable income and eroding the tax base.

In addition to these problems, disputes and litigation arose over the classification of various expenditures as interest expenses.

The next major change in the federal taxation of life insurance companies was provided in the Tax Reform Act of 1984. This legislation sought to remedy the shortcomings of the 1959 law by taxing all income on the same basis (thus eliminating the incentive to artificially allocate income and expenses) and basing the deductibility of additions to reserve liabilities on Internal Revenue Service actuarial rules. In addition, modifications were made regarding the treatment of policyholder dividends. Further minor adjustments were made in subsequent legislation.

More recently, the Tax Cuts and Jobs Act of 2017 (TCJA) provided for several changes in federal taxation of insurance companies. As to life insurers, the TCJA repealed a small company deduction and replaced a special rule for determining the change in basis of life insurance reserves with general accounting methods. The TCJA also simplified the calculation of life insurance tax reserves by connecting it to a predetermined percentage of the statutory reserve (92.81%). In determining loss reserves, property and casualty companies are required to use a higher discounting rate based on the corporate bond yield curve and may no longer elect to use company-specific historical loss payment patterns.

The TCJA also repealed special rules for net operating losses of life insurance companies, which now receive the same general treatment as other corporate filers. For comparison, net operating losses of property and casualty companies were not altered, and thus continue to allow two-year carrybacks and 20-year carryforwards offsetting 100% of taxable income. However, the Coronavirus Aid, Relief, and Economic Security Act modified the treatment of net operating losses arising in tax years 2018, 2019, and 2020, such that nonlife insurance companies may carry back net operating losses from these years for up to five years without limitation.

The TCJA also generally reduced the dividend received deduction percentages available for all companies for tax years beginning after December 31, 2017. The proration rules for life insurers calculating the dividends received deduction now set the company's share (70%) and the policy holder's share (30%) to fixed amounts. For property and casualty companies, the proration rule was fixed to 5.25% divided by the top corporate tax rate (this maintains the same ratio of the 15% proration reduction to the prior top corporate rate of 35%).

In addition, the TCJA requires life insurance companies to capitalize and amortize a portion of the premiums they collect as deferred acquisition costs. The TCJA increased capitalization rates for certain insurance contracts and extended the amortization period for amounts capitalized after December 31, 2017.

In contrast to the federal government, states have generally attempted to avoid the problem of determining net income for tax purposes by imposing premiums taxes rather than income-based taxes on insurance companies. The first premiums tax was imposed by the state of New York in 1836. This tax was initially imposed only on fire insurance agents representing foreign companies. In response to this tax, Massachusetts imposed a tax that was limited to insurance companies domiciled in states that imposed a tax or fee on Massachusetts insurers doing business in that state. The Massachusetts tax was the first retaliatory tax enacted in the United States. Subsequently, every state has imposed some form of premiums tax at some time and most states have enacted retaliatory provisions. In addition, several states (including Wisconsin) impose income or franchise taxes on certain insurers. Current insurance tax provisions in other states are discussed in greater detail in a later section of this paper.

Premiums Tax Versus Income-Based Taxes

As noted, the federal and state governments have differed in the tax treatment of insurance companies, with the federal government imposing income-based taxes and the states primarily utilizing premiums taxes.

The premiums tax is generally acknowledged to have the following advantages:

a. The tax is relatively uncomplicated to compute, collect, and administer. Further, difficulties in determining insurance company net income are avoided. Also, due to its relative simplicity, the premiums tax lends itself to a single audit which may be utilized by all states, and the tax more easily fits the concept of retaliation.

b. Because the tax is not dependent upon profitable operations in a given year and premium volume tends to increase in an expanding economy, the tax provides a relatively stable source of revenue.

c. The stability of the tax lends itself to actuarial treatment which allows the tax to be passed on to policyholders relatively easily.

The following disadvantages have been attributed to the premiums tax:

a. The tax is unrelated to the insurer's profitability.

b. In the case of cash-value life insurance, the tax has been criticized as being a levy on thrift because it is imposed on the entire premium, a portion of which represents savings of the policyholder.

c. Because the tax is generally passed through to the policyholder, it may impose a greater burden on persons least able to afford it, such as older insureds and high-risk policyholders paying higher premiums than standard risks might pay.

d. In relation to income, the tax may impose a greater burden on new or small insurers as opposed to larger, more established firms with greater reserves and, thus, proportionately greater investment income.

e. Unequal tax burdens may arise between holders of new versus old policies and between policyholders in low- and high-premiums tax states. Often, premiums on old policies cannot be increased to accommodate a premiums tax increase. Thus, such increases must be passed on to new policyholders to the extent that they are not borne by the insurer. This problem is more likely to occur with life insurance than nonlife insurance due to the long-term nature of life policies. In addition, if an insurer cannot vary premium rates from state to state, insureds in low-tax states may have to bear a portion of the tax imposed by a higher tax state.

The advantages of income-based insurance taxes are generally the opposite of the disadvantages of the premiums tax. Likewise, the disadvantages of income taxes tend to mirror the advantages of premiums taxation. An income- based tax is generally considered to provide the following advantages:

a. Because it is based on profitability, the income tax is related to an insurer's ability to pay.

b. Use of an income tax provides that insurance companies and other financial institutions are taxed in essentially the same manner.

c. Because the tax is not directly related to premiums paid, it may be less likely to impose unequal tax burdens on insureds.

d. To the extent that all revenue sources are included in the tax base, the income tax may be less likely to impose unequal burdens on new, small companies as opposed to older, larger insurers.

A number of disadvantages of imposing the income tax on insurance companies are outlined below:

a. The tax is more difficult than the premiums tax to compute, administer, and audit. Further, problems in accurately calculating insurance company net income are present, and the tax fits less easily into the retaliatory concept. Accounting for income from certain types of long-term insurance agreements on an annual basis may produce distorted results. Finally, large companies are often late in filing income tax returns. Consequently, extensions of time to file are often requested.

b. Due to annual fluctuations in insurance company profitability, the tax base is less stable. Also, the tax does not readily lend itself to actuarial treatment due to its instability.

c. The overall tax burden may be less uniformly spread among policyholders because the tax liability will vary according to the insurer's profitability.

Retaliatory Taxation and Reciprocity

The first retaliatory tax to be imposed in the United States was enacted by Massachusetts in response to New York's premiums tax on fire coverage sold by agents representing foreign insurers. Prior to the adoption of its retaliatory tax, Massachusetts had imposed no tax on insurance premiums. The adoption of the retaliatory tax provisions in other states soon followed and use of the tax has continued to the present time. Currently, 49 states utilize retaliatory provisions; only Hawaii does not (which instead allows a credit for domestic insurers to claim the amount paid in higher taxes in other states).

Under the retaliatory laws of most states, foreign insurers are taxed at the greater of the liability as calculated under that state's statutory provisions or as a similar foreign insurer would be taxed by the home state. As noted, Wisconsin insurance tax law also includes a reciprocity provision whereby a foreign insurer may pay lower taxes than statutorily imposed in Wisconsin, if the Wisconsin tax exceeds the taxes imposed by the insurer's state of domicile. (However, foreign insurance companies must pay a minimum amount which, for certain insurers, may be higher than that determined under reciprocity provisions.)

The Massachusetts tax was intended to counter the New York state provision, which gave preferential treatment to New York insurers over insurance companies that were domiciled in other states and did business in New York. However, as utilized today, retaliatory provisions may be imposed on insurers domiciled in states which treat foreign and domestic insurers identically. For example, West Virginia imposes a 3% tax on both foreign and domestic life insurance companies. Under Wisconsin's retaliatory law, however, a West Virginia insurer would be taxed at the rate of 3% (rather than Wisconsin's statutory rate of 2%) on its Wisconsin premiums, despite the fact that the West Virginia provision does not discriminate against foreign companies. Thus, the effect of retaliatory provisions is to induce other states to show the same consideration to insurers domiciled in the enacting state as is shown by the enacting state to insurers domiciled in such foreign states, rather than to "punish" other states for discriminating against foreign insurers.

The nationwide system of retaliatory taxation discourages states from increasing taxes on foreign insurers due to the negative effect such an increase would have on domestic firms conducting business in other states. For example, an increase in Wisconsin's premium tax rate for foreign life insurers from 2% to 4% could have two effects. First, depending upon the effect of reciprocity and minimum tax provisions, foreign life insurance companies that are domiciled in states with tax rates of less than 4% would pay increased taxes to Wisconsin on the business such insurers conduct in this state. Second, Wisconsin life insurers would pay increased taxes in those states which statutorily impose taxes lower than 4% but utilize retaliatory provisions. In this instance, Wisconsin life insurers may pay more in increased taxes to other states than Wisconsin would receive through the increased tax on non-Wisconsin companies. It is argued that such an increase would place Wisconsin insurers at a competitive disadvantage in relation to insurers domiciled in other states.

Wisconsin is the only state which includes reciprocal provisions in its insurance taxation statutes. However, Arizona, Massachusetts, Minnesota, New York, and Rhode Island are reciprocal non-retaliation states which do not impose retaliatory taxes on insurance companies domiciled in another state if that other state agrees not to impose retaliatory taxes on their state's insurance companies. Thus, these states apply the same tax rate to both domestic and foreign based insurance companies (although each state may have different rates). In Texas, the State Comptroller may enter into a reciprocal agreement with another state, but the Comptroller has not entered into such agreements to date. Other states provide for lower taxes for foreign insurers in certain cases; however, the lower rates are generally contingent upon the insurance company maintaining certain investments in property or securities within the state. The principle behind such provisions is to enhance capital and employment opportunities within the state through tax incentives.

Other States

The range of premiums tax rates and certain other insurance tax provisions in effect among the states and the District of Columbia in 2020 are shown in Tables 4 and 5. Table 4 presents this information for the life and health insurance industry including life insurance, health and accident insurance, and annuities. Table 5 provides similar data for the property and casualty insurance industry. For both domestic and foreign insurers, this data points out different approaches adopted by the states in the taxation of insurance companies. In addition, the rates imposed on foreign insurers by other states suggest the extent to which the actual rates at which foreign insurance companies are taxed by Wisconsin differ from the statutory rates, due to the retaliatory and reciprocal provisions.

As shown in Table 4, 31 states (including Wisconsin) and the District of Columbia, impose the premiums tax on domestic and foreign life insurers at a rate of 2% or lower. Sixteen states may impose a higher premiums tax rate. One state, New York, imposes a separate insurance franchise tax on all life insurance companies. The premiums tax in Louisiana, for life and nonlife insurers, is imposed with a rate scale, while insurance companies in Oregon pay an excise tax.

Domestic health and accident insurers are subject to the corporate franchise tax rather than the premiums tax in Wisconsin. However, the franchise tax liability of such insurance companies may not exceed 2% of gross premiums. Including Wisconsin, 30 states and the District of Columbia impose a tax at the rate of 2% or less, and 18 other states may impose the tax at a higher rate on domestic insurers. As noted, special tax provisions apply to health and accident insurers in Louisiana and Oregon. Domestic sales of annuities are taxed in seven states at rates ranging from 1% to 3.5%. Consideration received from annuities, both by domestic and foreign insurers, is exempt from the premiums tax in Wisconsin.

Wisconsin property and casualty insurers, other than mortgage guarantee insurers, pay the corporate franchise tax rather than the gross premiums tax. Table 5 shows that most other states impose a premiums tax on domestic property and casualty insurers. Twenty-nine states (including Wisconsin) and the District of Columbia tax foreign property and casualty companies at or below the 2% rate, while 19 may impose a higher rate. As noted, special tax provisions apply to property and casualty insurers in Louisiana and Oregon. Wisconsin fire insurance companies pay a special 2% fire insurance tax in addition to the franchise tax. In other states, such insurers generally pay a state premiums tax and additional supplemental taxes.

Table 4: Taxation of the Life and Health Insurance Industry in Other States (2020)

	Premiums Tax Rates					
	Domestic			Foreign		
State	Life	Health & Accident	Annuity	Life	Health & Accident	Annuity
Alabama (1)	0.5-2.3%	0.5-1.6%	---	0.5-2.3%	0.5-1.6%	---
Alaska (2)	2.7-2.78	2.7-6	---	2.7-2.78	2.7-6	---
Arizona	1.75	1.75	---	1.75	1.75	---
Arkansas	2.5	2.5	---	2.5	2.5	---
California (3)	2.35	2.35	2.35%	2.35	2.35	2.35%
Colorado (4)	1	1	---	1-2	1-2	---
Connecticut	1.5	1.5	---	1.5	1.5	---
Delaware (5)	2	2	---	2	2	---
District of Columbia	1.7	2	---	1.7	2	---
Florida (6)	1.75	1.75	1	1.75	1.75	1
Georgia (7)	0.5-2.25	0.5-2.25	---	0.5-2.25	0.5-2.25	---
Hawaii	2.75	4.265	---	2.75	4.265	---
Idaho	1.5	1.5	---	1.5	1.5	---
Illinois	0.5	0.4	---	0.5	0.4	---
Indiana	1.3	1.3	---	1.3	1.3	---
Iowa	1	1	---	1	1	---
Kansas (8)	2	2	---	2	2	---
Kentucky (9)	1.5	2	---	1.5	2	---
Louisiana (10)			Special Provisions			
Maine (11)	2	1-2.55	2	2	1-2.55	2
Maryland (12)	2	2	---	2	2	---
Massachusetts	2	2.28	---	2	2.28	---
Michigan (13)	1.25	1.25	---	1.25	1.25	---
Minnesota (14)	1-2	1-2	---	1-2	1-2	---
Mississippi	3	3	---	3	3	---
Missouri	2	2	---	2	2	---
Montana	2.75	2.75	---	2.75	2.75	---
Nebraska (15)	1	0.5-1	---	1	0.5-1	---
Nevada (16)	1.75-3.5	1.75-3.5	1.75-3.5	1.75-3.5	1.75-3.5	1.75-3.5
New Hampshire	1.25	2	---	1.25	2	---
New Jersey (17)	2.1	1.05-2.1	---	2.1	1.05-2.1	---
New Mexico (18)	3.003	3.003	---	3.003	3.003	---
New York (19)	---	1.75	---	---	1.75	---
North Carolina	1.9	1.9	---	1.9	1.9	---
North Dakota	2	1.75	---	2	1.75	---
Ohio (20)	1.4	1.0-1.4	---	1.4	1.0-1.4	---
Oklahoma (21)	2.25	2.25	---	2.25	2.25	---
Oregon (22)			Special Provisions			
Pennsylvania	2	2	---	2	2	---
Rhode Island	2	2	---	2	2	---
South Carolina	0.75	1.25	---	0.75	1.25	---
South Dakota (23)	1.25-2.58	2.5	1.25-1.33	1.25-2.58	2.5	1.25-1.33
Tennessee (24)	1.75	2.5	---	1.75	2.5	---
Texas (25)	0.875-1.75	0.875-1.75	---	0.875-1.75	0.875-1.75	---
Utah (26)	2.25-2.33	2.25	---	2.25-2.33	2.25	---
Vermont	2	2	---	2	2	---
Virginia (27)	1-2.25	2.25	---	2.25	2.25	---
Washington	2	2	---	2	2	---
West Virginia (28)	3	3	1	3	3	1
WISCONSIN (29)	2	2	---	2	2	---
Wyoming	0.75	0.75	1	0.75	0.75	1

Notes appear on the following page.

Source: Office of the Commissioner of Insurance, 2020; see also *Retaliation: A Guide to State Retaliatory Taxes, Fees, Deposits and Other Requirements,* National Association of Insurance Commissioners (December 2019).

Notes for Table 4:

(1) Life insurance policies with a face amount of $5,000 or less are taxed at 0.5%; policies with a face amount of $5,000 to $25,000 are taxed at 1%. Health insurance premiums for an employer-sponsored plan with less than 50 participants are taxed at 0.5%.
(2) Life insurance policies with policy year premiums in excess of $100,000 pay an additional 0.08%. Hospital and medical service corporations pay 6% of premiums less claims paid. Other health and accident insurers pay a 2.7% premiums tax.
(3) The 0.5% rate is for annuities funding federal qualified retirement plans.
(4) The 2% rate is for insurers that do not have a home or regional office in the state.
(5) Special rates apply to company-owned and trust-owned life insurance policies and certain captive insurers. A special privilege tax is imposed on domestic, nonmutual insurers that write less than 50% of total premiums on property or persons residing in the state.
(6) Premiums on non-profit self-insurance funds, medical malpractice self-insurance funds, commercial self-insurance funds, group self-insurance funds, or assessable mutual insurers are subject to a 1.6% tax of the gross amount of premiums, contributions, and assessments.
(7) Insurance companies with specified levels of investment in Georgia assets are eligible for a 0.5% or a 1.25% rate. Independently purchased coverages subject to 4% rate.
(8) HMOs pay 5.77%.
(9) A surcharge of 1.8% is imposed on nonlife and health insurers.
(10) Rates differ by line of insurance and level of premiums. The tax on life, accident and health insurance ranges from a minimum payment of $140 to $140 plus $225 for each $10,000 in premiums over $7,000.
(11) Long-term care and disability policies are taxed at either 1% or 2.55%, depending upon the size of the insurance company.
(12) For calendar years 2020-2022, entities subject to the Maryland Health Care Access Act of 2018 are subject to an assessment of 1.0%.
(13) A special rate applies to qualified health insurance policies (not including captive insurance companies) that is annually determined by a certain formula whereby the treasury determines the "savings" in the preceding year to all insurance companies from the reduced rate and sets the reduction from 1.25% in the current year so that the savings in the current year do not exceed $18.0 million.
(14) HMOs, nonprofit health services, and community integrated service networks pay 1%
(15) The rate for group sickness and accident insurance is 0.5%.
(16) Insurers with a regional or home office in Nevada receive a 50% credit (effective rate 1.75%).
(17) Group accident and health business is taxed at 1.05%, while all other business is taxed at 2.1%.
(18) A 1% surtax is imposed on certain health insurance premiums.
(19) Life insurance companies are subject to a separate insurance franchise (income) tax of 7.1%. An additional tax of 0.7% of premiums is charged, but the amount many not be less than 1.5% of taxable premiums or more than 2.0% of taxable premiums.
(20) Certain health insurance premiums subject to 1.0% tax.
(21) Life insurance policies purchased by an employer to insure the life of an employee are subject to an additional tax equal to 1/10 of 1% of premiums exceeding $100,000.
(22) Insurers pay an excise tax based on net income instead of a premiums tax.
(23) Life insurers pay 2.5% of first $100,000 of premiums and 0.08% on remaining amounts, and 1.25% of first $500,000 in annuity contracts and 0.08% of remaining amounts. Life policies with face amount less than $7,000 subject to 1.25% rate.
(24) HMOs pay 6.0%; other health insurers pay 2.5%.
(25) Life insurers and HMOs pay 0.875% of first $450,000 of premium and 1.75% on remaining amounts.
(26) Life insurers pay 2.25% on the first $100,000 of Utah variable life insurance premiums, and 0.08% on the remainder.
(27) Domestic nonprofit mutual companies, assessment mutuals with less than $25,000 capital stock, and industrial sick benefit insurance business pay 1%; other life insurers pay 2.25%.
(28) The basic rate is 2% plus an additional rate of 1%.
(29) Domestic life insurers pay either the 2% premiums tax or a 3.5% tax on a portion of investment income, depending the amount of insurance in force. Domestic accident and health insurers pay the corporate franchise tax not to exceed 2% of gross premiums.

Source: Office of the Commissioner of Insurance, 2020; see also *Retaliation: A Guide to State Retaliatory Taxes, Fees, Deposits and Other Requirements*, National Association of Insurance Commissioners (December 2019).

Table 5: Taxation of the Property and Casualty Insurance Industry in Other States (2020)

	Premiums Tax Rates*			
	Domestic		Foreign	
State	Rate	Fire Rate	Rate	Fire Rate
Alabama (1)	3.60%	3.60%	3.60%	3.60%
Alaska (2)	2.7	2.7	2.7	2.7
Arizona (3)	1.75	2.2	1.75	2.2
Arkansas (4)	2.5	2.5	2.5	2.5
California	2.35	2.35	2.35	2.35
Colorado (5)	1	1	1-2	1-2
Connecticut	1.5	1.5	1.5	1.5
Delaware (6)	2	2	2	2
District of Columbia	1.7	1.7	1.7	1.7
Florida (7)	1.75	2.75	1.75	2.75
Georgia (8)	0.5-2.25	0.5-3.25	0.5-2.25	0.5-3.25
Hawaii	4.265	4.265	4.265	4.265
Idaho	1.5	1.5	1.5	1.5
Illinois	0.5	1	0.5	1
Indiana	1.3	1.3	1.3	1.3
Iowa	1	1	1	1
Kansas	2	3.25	2	3.25
Kentucky (9)	2	2.75	2	2.75
Louisiana (10)	Special Provisions			
Maine (11)	2	2	2	2
Maryland	2	2	2	2
Massachusetts	2.28	2.28	2.28	2.28
Michigan	1.25	1.25	1.25	1.25
Minnesota (12)	1-2	1-2	1-2	1-2
Mississippi	3	4	3	4
Missouri (13)	2	2	2	2
Montana	2.75	5.25	2.75	5.25
Nebraska (14)	1	1.375-1.75	1	1.375-1.75
Nevada (15)	1.75-3.5	1.75-3.5	1.75-3.5	1.75-3.5
New Hampshire	1.25	1.25	1.25	1.25
New Jersey (16)	2.1	2.1	2.1	2.1
New Mexico	3.003	3.003	3.003	3.003
New York	2	2	2	2
North Carolina (17)	1.9-2.64	1.9	1.9-2.64	1.9
North Dakota	1.75	1.75	1.75	1.75
Ohio	1.4	2.15	1.4	2.15
Oklahoma	2.25	2.5625	2.25	2.5625
Oregon (18)	Special Provisions			
Pennsylvania	2	2	2	2
Rhode Island	2	2	2	2
South Carolina (19)	1.25	3.6	1.25	3.6
South Dakota (20)	2.5	3	2.5	3
Tennessee (21)	2.5	3.25	2.5	3.25
Texas (22)	1.6	1.6	1.6	1.6
Utah (23)	2.25	2.25	2.25	2.25
Vermont	2	2	2	2
Virginia	2.25	3.25	2.25	3.25
Washington	2	2	2	2
West Virginia (24)	3	6.05	3	6.05
WISCONSIN (25)	---	2	2	4.375
Wyoming	0.75	0.75	0.75	0.75

*Excludes ocean marine insurers, which cover specialty items, and surplus lines brokers, which offer coverage for lines not otherwise available. Ocean marine insurers are generally taxed at lower rates while surplus lines brokers are subject to higher rates. Rates for fire insurance include state premiums tax and special taxes.

Notes appear on the following page.

Source: Office of the Commissioner of Insurance, 2020; see also *Retaliation: A Guide to State Retaliatory Taxes, Fees, Deposits and Other Requirements*, National Association of Insurance Commissioners (December 2019).

Notes for Table 5:

(1) Premiums for certain property and multiperil insurance are taxed at 1%. Medical liability insurance taxed at 1.6%.
(2) Title insurance is taxed at 1%
(3) An additional tax of 0.4312% is imposed on motor vehicle coverage.
(4) An additional 0.5% premium tax is imposed on net direct written premiums for coverages upon real and personal property.
(5) The 2% rate is for companies that do not have a home or regional office in the state.
(6) A special privilege tax is imposed on domestic nonmutual insurers that write less than 50% of total premiums on property or persons in the state.
(7) Premiums on nonprofit self-insurance funds, medical malpractice self-insurance funds, or assessable mutual insurers are subject to a 1.6% premiums tax. There is a fire marshal assessment of 1% of gross premium from fire insurance plus a surcharge at a rate of 0.1% of gross commercial premiums.
(8) Insurance companies with specified levels of investment in Georgia assets are eligible for a 0.5% or a 1.25% rate. Independently procured coverages subject to a 4% rate.
(9) A surcharge of 1.8% is imposed on non-life and health insurers. Rates differ by line of insurance and level of premiums.
(10) The tax on property and casualty insurance ranges from a minimum payment of $185 to $185 plus $300 for each $10,000 of premiums over $6,000. Foreign and alien non-life insurers pay 2% of gross premiums on fire risks, an additional 1.25% of gross annual receipts for any premium insuring property against loss or damage by fire for the fire marshal tax, and an additional 0.25% of premiums for insurance against fire damage or loss on Louisiana property.
(11) For fire insurance, an additional assessment of 1.4% of gross direct premiums applies.
(12) Town and farmers mutual insurance companies pay 1%. Mutual property and casualty companies pay 1.0% or 1.26% depending upon assets. Fire safety premiums are subject to a 0.5% surcharge.
(13) For worker's compensation, an administrative tax of 1% (plus surcharges not to exceed 3%) is assessed.
(14) Domestic mutual fire insurers pay 1% premiums tax plus 0.375% fire tax. All other fire insurers pay premiums tax plus 0.75% fire tax.
(15) Insurers with a regional or home office in Nevada receive a 50% credit (effective rate 1.75%).
(16) An additional 0.25% tax is imposed on workers compensation and employers liability.
(17) Workers compensation is taxed at 2.5%. An additional 0.74% rate is applied for certain named property coverage contracts.
(18) Insurance companies pay a state excise tax based on net income instead of a premiums tax. Fire marshal tax of 1.15% of premiums.
(19) Workers compensation is taxed at 2.5%.
(20) Workers compensation is taxed at $14 per policy.
(21) Workers compensation is taxed at 4.0%. The minimum premium tax due is $150.
(22) Title insurance is taxed at 1.35%. Additional maintenance taxes apply to various policy types for administrative costs, such as fire (up to 1.25%), casualty (up to 0.4%), motor vehicle (up to 0.2%), and worker's compensation (up to 2.7%).
(23) Title insurance is taxed at 0.45%, with certain additional assessments for each office maintained. Worker's compensation insurers pay rates which are set each year from 1% up to 4.15%.
(24) The basic rate is 2% plus an additional 1%. Fire and casualty insurance policies subject to an additional 1% tax and a 0.55% surcharge. Fire marshal tax of 0.5% for insurance companies other than life. Firemen’s pensions and volunteer fire departments tax of 1% on fire and casualty insurance.
(25) Domestic mortgage guarantee insurers pay the 2% premiums tax; other domestics pay the franchise tax not to exceed 2% of gross premiums. Foreign fire insurers pay basic premiums tax rate of 2.375% plus an additional tax of 2%. The 2% tax is also imposed on domestic fire insurers.

Source: Office of the Commissioner of Insurance, 2020; see also *Retaliation: A Guide to State Retaliatory Taxes, Fees, Deposits and Other Requirements*, National Association of Insurance Commissioners (December 2019).