# **Payment, Mailing and Filing Instructions**

**All Classes of Insurance Companies except Ocean Marine, Life, Title, and Home Protection, must complete this tax return, whether or not business was transacted during the reporting year. Complete all items, including the method of tax payment.**

1. **Due on or before April 1, 2024:** File one (1) tax return with the California Department of Insurance on or before **April 1, 2024**.
2. Groups: Prepare a separate tax return and check/payment for each member company.
3. Payments:
* If paying by check, make the check payable to **“California State Controller’s Office”**.
* Those required to pay or have voluntarily elected to pay by Electronic Funds Transfer (EFT) must use the EFT method of payment.
* Pursuant to California Insurance Code Section 12976.5, and Revenue and Taxation Code Section 12602, **entities subject to insurance tax whose Annual Tax is more than $20,000, are required to participate in the Electronic Funds Transfer (EFT) Program.** To register as an EFT taxpayer, contact the California Department of Insurance Tax Accounting/EFT Unit at (916) 492-3288 or via e-mail to EFT@insurance.ca.gov.
* **Every insurer whose annual tax liability for the preceding calendar year was twenty thousand dollars ($20,000) or more is required to make quarterly prepayments and submit quarterly tax payment vouchers to the current calendar year.**
1. File/Mail by (a) or (b):
2. **If the 2023 Tax Due, 2024 First Quarter Prepayment, and/or the 2023 Retaliatory Tax Due are “Paid by Check”:** Mail the Premium Tax Return, the Tax Payment Voucher, and the **Check (**payable to **“California State Controller’s Office”)** to:

California Department of Insurance

Tax Accounting Unit

P.O. Box 1918

Sacramento, CA 95812-1918

1. **If the 2023 Tax Due, 2024 First Quarter Prepayment, and/or the 2023 Retaliatory Tax Due are “Paid by EFT”, or if there is Zero (-0-) balance due, or if there is a Tax Refund Due:**

Submit a scanned copy of the physically signed Premium Tax Return and Tax Payment Voucher **Via e-mail to** **PremiumTaxFiling@insurance.ca.gov** **(Preferred method):**

* Send one e-mail per insurer.
* On the Subject line, enter: Company Name, CA perm. Number (not NAIC), Tax Return Type (PC, Life, Title, HP, SLB) and Associated Tax Year

Or submit physically signed hardcopy via mail to:

California Department of Insurance

Tax Accounting Unit

300 Capitol Mall, Suite 14000

Sacramento, CA 95814

**The tax return and payment must be postmarked/settled on or before April 1 following the end of the calendar year.** The due dates for filing the tax return is April 1st and the due dates for making quarterly prepayments are April 1st, June 1st, September 1st, and December 1st of each year. When the due date falls on a Saturday, Sunday or State or Federal legal holiday, the tax return or prepayment voucher and payment are considered timely if postmarked/settled on the next business day.

**The tax payment vouchers are available on** the [California Department of Insurance Website](http://www.insurance.ca.gov/). Select “Insurers”, then “Tax Forms and Instructions/Electronic Funds Transfer (EFT) Payments”, then “**2023** Tax Forms, Instructions, and Information” to access the tax return, instructions, and vouchers.

**For questions concerning the completion of the premium tax return,** please contact the California Department of Insurance, Premium Tax Audit Unit via e-mail to PremiumTaxAudit@insurance.ca.gov.

**For questions regarding the Electronic Funds Transfer (EFT) Program,** contact the California Department of Insurance, Tax Accounting/EFT Unit at (916) 492-3288, or via e-mail to EFT@insurance.ca.gov

# **Important Instructions**

**The following are line by line instructions for the All Classes of Insurance Except Ocean Marine, Life, Title, and Home Protection Tax Return for the calendar year 2023. Please only use one entry per line and do not write in the column labeled, “CDI Use Only”.**

**Complete the following information:** Name of Insurer, Mailing Address, City, State, Zip Code, Telephone Number, Fax Number, and State of Domicile. Also provide the Federal Tax Identification Number, California Permanent Number (CA Perm No), National Association of Insurance Commissioners Number (NAIC No.), EFT Taxpayer Identification Number (TIN), and select the appropriate Method of Tax Payment.

**Check the appropriate box for the following information:** Cash Basis method of calculating taxable premium Or Accrual Basis of calculating taxable premium; Final Return (if no further business transacted due to withdrawal of the Certificate of Authority or a non-survivor of a merger during **2023**); and/or Amended Return. If final return, indicate the effective date of the final transaction or if amended, indicate the date when it was amended.

**Record All Amounts in Whole Dollars**

**Page 1**

| **Line** | **Instructions** |
| --- | --- |
| Line 1: | **Direct Net Taxable Premiums** - Record the amount from Tax Return, Page 3, Schedule A, Line 4. Reciprocal/Interinsurance Exchanges: See Definitions at end of instructions. |
| Line 2: | **Tax Rate** - the tax rate of 2.35 %. |
| Line 3: | **2023 Annual Tax** - Multiply Line 1 by the tax rate on Line 2 to determine the **2023** Annual Tax, Line 3 **(If the result of Line 3 is a negative amount, record zero (“0”) tax due)**. If the Annual Tax is more than $20,000, then the insurer is required to participate in the EFT Program. For questions regarding EFT, contact the Tax Accounting/EFT Unit at (916) 492-3288 or via e-mail to EFT@insurance.ca.gov. |
| Line 4: | **Low-Income Housing Credit** - Record any Low-Income Housing Credit for the reporting year pursuant to Revenue and Taxation Code Section 12206.  The following must be attached to claim the credit: copy of **Form 3521-A (Certificate of Final Award of California)** issued by the California Tax Credit Allocation Committee; copy of the Final **Schedule K-1 (565) (Partner’s Share of Income, Deductions, Credits, etc.)** filed with the FTB; copy of **Schedule K-1 (Form 1065) (Partner's Share of Income, Deductions, Credits, etc.)** filed with the IRS; and a **spreadsheet** showing details on how the credit amount was determined and must clearly indicate the carry-forward credit amount claims over a minimum of four years based on allowable periods to claim. **Failure to provide these documents may result in the disallowance of credit and/or delay in processing.**  The Company’s name and California Permanent Number should be shown on all attachments and certificates. |
| Line 5a: | **(Reserved – Leave Blank)** |
| Line 5b: | **College Access Tax Credit (CATC)** - Record any credits claimed for the reporting year that was certified by the California Educational Facilities Authority (CEFA). Attach a copy of the CATC Certification from CEFA showing the amount of the credit pursuant to Revenue and Taxation Code Section 12207. Failure to provide a copy of the certificate of credit will result in the credit being disallowed. **(For Taxable Years 2017-2027.)** Subject to Revenue and Taxation Code Section 12209 limitations. |
| Line 6: | **Pilot Project Insurance Tax Credit** - Record the Pilot Project Insurance TaxCredit pursuant to Revenue and Taxation Code Section 12208. Attach List of Policies to include: Policy number and Premium amount, with Total premiums to reconcile to this line item. Subject to Revenue and Taxation Code Section 12209 limitations. |
| Line 7: | **Prepayments made during the reporting year of 2023** (Revenue and Taxation Code Sections 12251-12260) - Only include those prepayments made or applied to the First quarter during the reporting year. Exclude all payments of interest and penalties. |
| Line 7a: | **Overpayment applied from prior year** - If there was an overpayment applied to the **2023** First Quarter Prepayment, as reported on Line 11a of the **2022** tax return, then record the amount applied on Line 7a (for example, if the **2023** First Quarter Prepayment due was $2,500 and the amount of **2022** Overpayment applied was $500, then record $500 on Line 7a). Include prior year overpayment amount of $10 or less applied as Credit towards future tax liabilities.**-Or-** If there was no overpayment applied to the **2023** First Quarter Prepayment and no prior year overpayment amount of $10 or less, then record zero (“0”) on Line 7a. |
| Line 7b: | **First Quarter (Balance Paid)** - If there was an overpayment applied to the **2023** First Quarter Prepayment, then record the net balance paid on Line 7b (for example, if the **2023** First Quarter Prepayment due was $2,500 and the amount of **2022** Overpayment applied was $500, then record $2,000 on Line 7b). **-Or-** If there was no overpayment applied to the **2023** First Quarter Prepayment, then record the amount paid for the **2023** First Quarter Prepayment Line on 7b. |
| Line 7c - 7e: | **Second, Third, and Fourth Quarters** - Record the amount paid for each quarter. |
| Line 7f: | **Total Prepayments** -Record the sum of Lines 7a through 7e. |
| Line 8: | **Total Credits and Prepayments** - Record the sum of Lines 4, 5b, 6, and 7f. |
| Line 9:  | **2023 Tax Due** -If Line 3 is **More** than Line 8, then subtract Line 8 from Line 3. The result will be the balance of the **2023** Annual Tax Due. Pay this amount on or before **April 1, 2024**. If Line 3 is **Less** than Line 8, then record zero (“0”) on this line and proceed to Line 10. |
| Line 10: | **2023 Tax Overpayment** - If Line 8 is **More** than Line 3, then subtract Line 3 from Line 8, and record the result of the overpayment on this line. If Line 8 is **Less** than Line 3, record zero (“0”) on this line and proceed to Line 11.Note: The tax overpayment (line 10) may be applied to the **2024** First quarter prepayment and the **2023** Retaliatory tax. A Refund **Shall Not** be applied to the **2024** Second quarter prepayment or any future tax payment unless prior approval has been granted by the California Department of Insurance, Premium Tax Audit Unit. |
| Line 11: | **2024 First Quarter Prepayment** - Record the **2024** First Quarter Prepayment on this line. If the Annual Tax, Line 3, is $20,000 or more, the insurer is required to make prepayments equal to 25 percent of Line 3. If the amount on Line 3 is less than $20,000, then record zero (“0”) on this line. (Revenue and Taxation Code Sections 12251-12260) |
| Line 11a: | **2023 Tax Overpayment applied to the First Quarter Prepayment** - Record the amount of the **2023** Tax Overpayment, Line 10, applied to **2024** First Quarter Prepayment. Note: The application of the overpayment is not required. The insurer may pay the **2024** First Quarter Prepayment in full and receive a refund of the total amount reported on the tax overpayment, Line 10.**-Or-** If there is no tax overpayment or the insurer wishes to pay the **2024** First Quarter Prepayment in full, then record zero (“0”) on this line. |
| Line 11b: | **2024 First Quarter Prepayment Balance Due** - If Line 11a is equal to or less than Line 11, then subtract Line 11a from Line 11. The result will be the **2024** First Quarter Prepayment Balance Due. Pay this amount on or before **April 1, 2024**. |
| Line 12: | **2023 Retaliatory Tax** - For insurance companies: Record the result from Tax Return, Page 5, Schedule C, Part II, Line 8. For Risk Retention Groups: Record the result from Tax Return, Page 6, Schedule RRG, Part II, Line 6. |
| Line 12a: | **2023 Tax Overpayment applied to the Retaliatory Tax** - This line is an optional field. If there is any remaining balance for the **2023** Tax Overpayment, after it was applied to the **2024** First Quarter Prepayment, then apply the remaining balance to the **2023** Retaliatory Tax. Note: The application of the overpayment is not required. The insurer may pay the retaliatory tax in full and receive a refund of the total amount reported on the tax overpayment, Line 10, less any amount applied to the **2024** First Quarter Prepayment, Line 11a.**-Or-** If there is no tax overpayment or the insurer wishes to pay the retaliatory tax in full, then record zero (“0”) on this line. |
| Line 12b: | **2023 Retaliatory Tax Balance Due** - If Line 12a is equal to or less than Line 12, then subtract Line 12a from Line 12. The result will be the **2023** Retaliatory Tax balance due. Pay this amount on or before **April 1, 2024**. |
| Line 13, 13a, and 13b: | **Tax Refund / Credit** – The Tax Refund is equal to the **2023** Tax Overpayment, Line 10, less the amounts applied to Lines 11a and 12a. If there is no tax overpayment, then record zero (“0”) on this line. * **If the amount is greater than $10, enter the amount on Line 13a (Tax Refund),**
* **Or, if the amount is $10 or less, enter the amount on Line 13b (Tax Credit).**

Note: The annual tax overpayment **shall not** be applied toward the 2nd quarter prepayment or any future tax due unless prior approval has been granted by the California Department of Insurance, Premium Tax Audit Unit. Effective March 1, 2020, overpayment amount of $10 or less will be automatically applied as Credit towards future tax liabilities. |
| **Declaration of Insurer:** | **California Revenue and Taxation Code Section 12303(a) states:** “Every return required by this article to be filed with the commissioner shall be signed by the insurer or an executive officer of the insurer and shall be made under oath or contain a written declaration that it is made under penalty of perjury. A return of a foreign insurer may be signed and verified by its manager residing within this state. A return of an alien insurer may be signed and verified by the United States manager of the insurer.” **You must type or write clearly the First Name, Last Name, Title, and E-mail of the signing officer in the space provided.** Tax return must be physically signed. A scanned copy of the physically signed tax return filed by e-mail to PremiumTaxFiling@insurance.ca.gov is acceptable. |

**\*Attach a copy of the Annual Statement - Schedule T, California State Page, and all supporting documents for this tax return.**

**Instructions for Schedules A – C and RRG:**

**Schedule A (Tax Return, Page 3)**

| **LINE** | **INSTRUCTIONS** |
| --- | --- |
| Line 1: | Record the amountof **Direct Premiums Written** as reported on the Annual Statement, Schedule T, Line 5, Column 2. **Any Adjustments to This Amount Must Be Explained in Detail**. Failure to provide details may result in a deficiency assessment (Revenue and Taxation Code Sections 12421 - 12435). |
| Line 2.1: | Record the amount from Annual Statement, Schedule T, Line 5, Column 8. |
| Line 2.2: | Record any administrative, service or policy fees that were assessed directly to the policyholder during the reporting year, other than the amount reported on Line 2.1. |
| Line 2.3: | Record the Installment Fees: Include amounts paid as reimbursement for additional expense incurred in selling insurance on an installment basis such as additional bookkeeping expense and collection expense. |
| Line 2.4: | Record the California Fair Plan premiums **If Not** included in Line 1. |
| Line 2.5: | Record the amount from Tax Return, Schedule B, Line 4, if bail-undertaking premiums were executed. This is for surety insurers who transact bail bonds. |
| Line 2.6: | Record the Premiums from all foreign states and alien countries where company is not licensed. This is for California domiciled Companies **Only**. |
| Line 2.7: | Record any retrospective premiums written during the reporting year.  |
| Line 2.8: | **Adjustment for “Cash Basis” (Accounts Receivable (AR) Basis) Method of Reporting are to be entered in Schedule A, Lines 2.8 and 3.7 only.****Cash Basis:** Record the amount of “premiums receivable” reported as a deduction during the **prior year** if previously filed using the “cash basis” method of calculating premium tax based upon premiums that are **received and collected by the insurer** during a given tax year. If this is the first time the insurer is filing on a cash basis, then record zero (“0”) on this line. (Title 10 Ch 5 Sub Ch 3 Art 6.2 of the CA Code of Regulation.)  |
| Line 2.9: | Record premiums received that were previously Charged-off/Written-off. |
| **Line 2.10:** | **Total of Lines 1 to 2.9.** |
| Line 3.1: | Record the total amount from Line 35, Column 3 of the State Page. |
| Line 3.2:  | Record ocean marine premiums net of pleasure boat premiums. |
| Line 3.3: | Record the amount of “Return Premiums” in accordance with the Revenue and Taxation Code Section 12221 and the California State Constitution, Article XIII, Section 28(c), **If Not** previously deducted from Annual Statement, Schedule T, Line 5, Column 2. **Attach List of Policies to include: Policy number and Premium amount, with Total premiums to reconcile to this line item.** |
| Line 3.4: | Record the Federal Employees Health Benefits Program premiums, under Section 8909(f)(1) of Title 5 of the United States Code. |
| Line 3.5: | Record the amount of Multiple Peril Crop from Line 2.2, Column 1 of the State Page. |
| Line 3.6: | Record Medicare Title XVIII premiums that are exempted from state taxes or other fees by Section 1854(g) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This includes but is not limited to premiums written under a Medicare Advantage product, a Medicare PPO product, or a stand-alone Medicare Part D product. |
| Line 3.7: | **Adjustment for “Cash Basis” (Accounts Receivable (AR) Basis) Method of Reporting are to be entered in Tax Return, Schedule A, Lines 2.8 and 3.7 only.****Cash Basis:** Record the amount of “premiums receivable” **due at the end of the tax year**. Calculating premium tax based upon premiums that are **received and collected by the insurer** during a given tax year less any premiums returned during the same tax year is called “cash basis”. An insurer that files on a cash basis shall calculate its taxes on **“Collected Direct Premiums”** in accordance with Revenue and Taxation Code (RTC) Section 12221, or as an alternative method, an insurer may calculate its taxes on Direct Premiums subject to the requirements of RTC Section 12221, using a ratio of the insurer’s Direct Premiums written, as reported on the insurer’s NAIC Annual Statement Schedule T, and apply it to either the insurer’s Collected Direct Premiums or the insurer’s Uncollected Direct Premiums. (Title 10 Ch 5 Sub Ch 3 Art 6.2 of the CA Code of Regulation.) **Attach supporting documentation to include calculation and explanation at arriving at the reported amount. \*Uncollectable agents balances are not allowable deductions. Do not include receivables from Reinsurance premiums or Ocean Marine premiums or any other premiums that is not considered Direct Premiums.** |
| Line 3.8: | Record Premiums Charged-offs/Write-offs **(Not for “Cash Basis” (AR Basis) Method of Reporting**). Attach List of Policies Premiums Charged-offs/Written-off to include: Policy number and Premium amount, with Total premiums to reconcile to this line item. Note: Premiums received that were received but were previously Charged-off/Written-off are to be included in line 2.7. |
| **Line 3.9:** | **Total of Lines 3.1 to 3.8** |
| Line 4:  | Deduct Line 3.9 from Line 2.10. Record the result on **Net Taxable Premiums, Page 1, Line 1.** |
| Pilot Project -Line 5: | **Pilot Project:** Record calculation of Pilot Project insurance tax credit pursuant to Revenue and Taxation Code Section 12208. Maintain records for an audit by the Commissioner on the tax credit taken. |
| Ocean Marine Insurers – Line 6, 6a, 6b: | **Ocean Marine Insurers:** Did you assume or cede California premiums during the reporting year? If so, provide the amount assumed on 6a, and ceded on Line 6b. Lines 6a and 6b are information for the ocean marine tax return. These amounts should reconcile with amounts reported on the ocean marine tax return. |

**Schedule B – To Be Completed Only by Surety Insurers Who Transact Bail Bond Premiums (Tax Return, Page 4)**

All other insurers go to the following page.

| **Line** | **Instructions** |
| --- | --- |
| Line 1:  | The total **Face Amount** (also known as “Penal Amount”) of bail undertakings in California. This is the amount that the judge sets as bail. |
| Line 2:  | This is to calculate the total taxable bail bond premiums received by the company during the reporting year. |
| Line 2.1:  | Total premiums on bail bond premiums received by the company during the reporting year. For example, the rate is 10%, then on a $50,000-bail bond the premium is $5,000. Attach a copy of the rates charged if more than one rate is used. |
| Line 2.2:  | All fees and charges paid by or on behalf of the defendant that is **Not** included on Line 2.1. For example, there is a bond fee or charge of $15 per bond. This fee is considered to be taxable premium. |
| Line 2.3:  | Any reimbursable out-of-pocket expenses that were paid by the agent. Please study Bulletin 137 for details, and provide a list of any reimbursable out-of-pocket expenses. |
| Line 2.4: | Total Taxable Bail Bond Premiums. This is the sum of Line 2.1 and Line 2.2 less Line 2.3. |
| Line 3:  | To determine taxable Bail Bond Premium and any charges/fees that are **not included** on the Annual Statement California State Page for the reporting year. |
| Line 3.1:  | Record the amount as shown on Line 24, Column 1 of the Annual Statement California State Page for the reporting year. |
| Line 3.2:  | Record “other surety” premiums that are included on Line 24, Column 1 of the Annual Statement California State Page for the reporting year. |
| Line 3.3:  | This is to determine the amount of Bail Bond premiums that are being reported on Line 24, Column 1 of the Annual Statement California State Page for the reporting year. Deduct Line 3.2 from Line 3.1 and record the result on this line. |
| Line 4: | Net taxable Bail Bond Premiums and any charges/fees that are not included on Line 24, Column 1 of the Annual Statement California State Page for the reporting year. Deduct Line 3.3 from Line 2.4 and record the result on this line. Record the result on Tax Return, Schedule A, Line 2.5. |
| Insurers writing surety: | Insurers writing surety: If bail undertakings were executed, this schedule is to be completed. Please see Bulletin Number 137. |

**Schedule C – Retaliatory Tax Return (Cal. Const. Art. XIII, § 28(f)(3); Ins. Code §§ 685, 685.1) (Tax Return, Page 5)**

This schedule is to be completed by all foreign and alien insurers. (There is a separate RRG retaliatory tax schedule for all foreign and alien Risk Retention Groups.)

* The retaliatory portion of the California tax return compares the aggregate burden which would be placed upon your company by the state of California to the aggregate burden which would be placed by your state of domicile upon a hypothetical California company writing the same amount of premium that your company is writing in California.
* Some taxes and obligations imposed in other states may have no corresponding requirement in California; however, this does not relieve the foreign insurer from the obligation of computing and paying the tax. Enter all applicable items that are required of a California insurance company **except** those as specified under California Insurance Code section (CICS) 685.1.
* **Include with the return:** a copy of the State of Domicile’s **Annual** premium tax return, a copy of the assessments, invoices, or tax documents along with the calculations **based off of your California premium amount.**

**Part I: State of Domicile Imposition**

| **Line** | **Instructions** |
| --- | --- |
| Line 1:  | Record the amount of gross taxable premiums from Tax Return, Page 3, Schedule A, Line 2.10. |
| Line 2:  | Record allowable deductions of the State of Domicile as disclosed in the NAIC Retaliatory Tax Guidelines. Provide on a separate page the descriptions and/or code reference for the amount(s) deducted, with the total matching to this line item. |
| Line 3:  | Deduct Line 2 from Line 1. |
| Line 4:  | Record tax rate of the State of Domicile. If there is more than one tax rate, attach supporting documentation. |
| Line 5:  | Amount of Tax: Record the result of multiplying Line 3 by Line 4. |
| Line 6: | Record the Fire Department Tax. |
| Line 7: | Record the Fire Marshal Tax. |
| Line 8:  | Record the Annual Statement Fee. |
| Line 9:  | Record the Certificate of Authority Fee. |
| Line 10:  | Record the Certification Fee. |
| Line 11:  | Record Agent License Fee paid by company on behalf of agents. Record the number of CA agents and the State of Domicile fee for each agent. Example: 10 Agents at $50 = $500. |
| Line 12: | Record the amount of Ocean Marine Tax. |
| Line 13: | Record the Franchise Tax/Municipal Tax. |
| Line 14: | Record the Fraud Bureau Assessment. |
| Line 15: | Record the Total of **All** Other taxes, fees, and assessments **Except** those specified under CICS 685.1. Include a schedule of these items with the individual amounts, with the total matching to this line item; and provide complete documentation. |
| Line 16:  | Total of Lines 5 through Line 15. |

**Part II: California Tax on Foreign/Alien Insurer**

| **Line** | **Instructions** |
| --- | --- |
| Line 1: | Record the Premium Tax amount from Page 1, Line 3. |
| Line 2: | Record the Annual Statement Fee in the amount of **$462** if paid. Note: Do not include the payment of the Annual Statement Fee with your premium tax. |
| Line 3: | Record the Certificate of Authority Fee in the amount of **$466** if paid. Note: Do not include the payment of the Certificate of Authority Fee with your premium tax. |
| Line 4: | Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example: 10 Agents at $50 = $500. |
| Line 5:  | **Ocean Marine** Insurers file an amended Retaliatory Tax with the Ocean Marine Return pursuant to the Revenue and Taxation Code Section 12281.  |
| Line 6: | Record the Total of **All** Other taxes, fees, and assessments **except** those specified under CICS 685.1. Include a schedule of these items with the individual amounts, with the total matching to this line item; and provide complete documentation. |
| Line 7: | Total of Lines 1 through 6. |
| Line 8: | If the amount on Part II, Line 7 is greater than the amount on Part I, Line 16, record zero on Line 8 **and** enter zero on the **2023** Retaliatory Tax, Page 1, Line 12.**-Or-** If the amount on Part I, Line 16 is greater than the amount on Part II, Line 7, record the difference between the amounts on Line 8 **And** enter the result on the **2023** Retaliatory Tax, Page 1, Line 12. |

**Schedule RRG - Retaliatory Tax Return (Cal. Const. Art. XIII, § 28(f)(3); Ins. Code §§ 685, 685.1) (Tax Return, Page 6)**

This schedule is to be completed by all foreign and alien Risk Retention Groups.

* The retaliatory portion of the California tax return compares the aggregate burden which would be placed upon your company by the state of California to the aggregate burden which would be placed by your state of domicile upon a hypothetical California company writing the same amount of premium that your company is writing in California.
* Some taxes and obligations imposed in other states may have no corresponding requirement in California; however, this does not relieve the foreign insurer from the obligation of computing and paying the tax. Enter all applicable items that are required of a California insurance company **Except** Those as specified under California Insurance Code section (CICS) 685.1.
* **Include with the return:** a copy of the State of Domicile’s **Annual** premium tax return, a copy of the assessments, invoices, or tax documents along with the calculations **based off of your California premium amount.**

**Part I: State of Domicile Imposition**

| **Line** | **Instructions** |
| --- | --- |
| Line 1:  | Record the amount of gross taxable premiums from Tax Return, Page 3, Schedule A, Line 2.10. |
| Line 2:  | Record allowable deductions of the State of Domicile as disclosed in the NAIC Retaliatory Tax Guidelines. Provide on a separate page the descriptions and/or code reference for the amount(s) deducted, with the total matching to this line item. |
| Line 3:  | Deduct Line 2 from Line 1. |
| Line 4:  | Record tax rate of the State of Domicile. If there is more than one tax rate, attach supporting documentation. |
| Line 5:  | Amount of Tax: Record the result of multiplying Line 3 by Line 4. |
| Line 6: | Record the Fire Department Tax. |
| Line 7: | Record the Fire Marshal Tax. |
| Line 8: | Record the Registration Fee. |
| Line 9: | Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example: 5 Agents x $10 = $50. |
| Line 10: | Record the Total of **All** Other taxes, fees, and assessments **Except** Those specified under CICS 685.1. Include a schedule of these items with the individual amounts, with the total matching to this line item; and provide complete documentation. |
| **Line 11:**  | **Total of Lines 5 through Line 10.** |

**Part II: California Tax on Foreign/Alien Insurer**

| **Line** | **Instructions** |
| --- | --- |
| Line 1: | Record the Premium Tax amount from Tax Return, Page 1, Line 3. |
| Line 2: | Registration Fee in the amount of **$300** if paid. Note: Do not include the payment of the Registration Fee with your premium tax. |
| Line 3: | Record the Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example: 5 Agents x $10 = $50. |
| Line 4: | Record the Total of **All** Other taxes, fees, and assessments **except** those specified under CICS 685.1. Include a schedule of these items with the individual amounts, with the total matching to this line item; and provide complete documentation. |
| **Line 5:** | **Total of Lines 1 through 4.** |
| Line 6: | If the amount on Part II, Line 5 is greater than the amount on Part I, Line 11, record zero on Part II, Line 6 **And** enter zero on the **2023** Retaliatory Tax, Page 1, Line 12.**-Or-** If the amount on Part I, Line 11 is greater than the amount on Part II, Line 5, record the difference between the amounts on Part II, Line 6 **And** enter the result on the **2023** Retaliatory Tax, Page 1, Line 12. |

**\*Pursuant to Revenue and Taxation Code Section 12281, All Insurers Licensed for Class 3 (Marine) Who Transact Ocean Marine Insurance Are to File an Amended Retaliatory Tax Return to Report Any Ocean Marine Tax Paid. The Amended Retaliatory Tax Return Is to Be Filed with The Ocean Marine Tax Return.**

# **Other Instructions:**

Insurers admitted in California are required to pay premium taxes for business done in California (Revenue and Taxation Code Sections 12201 and 12202). The tax statute is based on the Article XIII, Section 28 of the California Constitution.

**Retaliatory Tax:** If any taxes, licenses and fees, in the aggregate, and any fines, penalties, deposits and other material obligations imposed on California insurers, and their representatives are in excess of the amounts charged similar insurers and their representatives by California, a retaliatory tax shall be imposed. Law does not apply to ad valorem taxes imposed by another state or country, unless allowed as a deduction from premium taxes due. (Cal. Const. Art. XIII, § 28(f)(3); Ins. Code §§ 685, 685.1)

**Gross Premiums:** Gross premiums consist of all items of cost of the insurance to the insured, except for premiums received for reinsurance, including but not limited to installment charges; finance charges; administration and/or service fees in connection with a self-administered plan or Mini-Met type plan.

**California Fair Plan Participation:** Share of premium should be recorded as direct writings and included in the tax base.

**Agent’s Balance:** Must be reported on a written basis as part of gross premiums received irrespective of whether or not the insurer has collected from the agent or the policyholder.

**Non-admitted States:** Business by a domestic insurer on policyholders in states where the insurer is not licensed to write insurance is to be reported as California premium business unless no part of the transaction occurs in California.

**Group Policy Contracts:** See NAIC Rule of 500. Per NAIC Annual Statement Instructions (**2022**):

**For individual and group health insurance** shall be defined as a premium allocation method for group policies that 1) permits a reporting entity to allocate premiums and other considerations from a non-employer group policy covering fewer than 500 members to the jurisdiction in which the majority of covered members reside or to the situs of the contract; 2) permits a reporting entity to allocate premiums and other considerations from an employer group policy covering fewer than 500 members to the jurisdiction in which the majority of covered members reside or are employed or to the situs of the contract; 3) requires a reporting entity to allocate premiums and other considerations from a non-employer group policy covering 500 or more members to the jurisdiction where each member resides; and 4) requires a reporting entity to allocate premiums and other considerations from an employer group policy covering 500

or more members to the jurisdiction where each member resides or is employed.

**Deductions Not allowable:** Retrospective or experience rating refunds or dividends which are not paid directly to the premium payer; excess interest earnings returned to the policyholder and uncollectable agents balances are not allowable deductions.

**California Insurance Guarantee Association (CIGA):** Amounts recouped shall not be considered premiums for any other purposes, including the computation of gross premium tax or agents commission.

**Reciprocal/Interinsurance Exchange:** California Insurance Code Section 1530 states, in part, *“. . . the term gross premiums, as applied to reciprocal or interinsurance exchanges, includes all sums paid by subscribers in this state by reason of the insurance exchange, whether termed premium deposit, membership fee, or otherwise, after deducting therefrom premium deposit returns or cancellations, and all amounts returned to subscribers or credited to their accounts as savings, but does not include such sums received for reinsurance and for ocean marine insurance.”*

**Employee Benefit Plan contributions** for the company’s own employees in California: “*…*the entire cost of an employee benefit plan, whether paid from the employer's funds or financed by deductions from the salaries of employees, is taxable as gross premiums inuring to the benefit of the insurer.*” Metropolitan Life Ins. Co. v. State Bd. of Equalization* (1982)32 Cal.3d 649, 661-662.

# **Extension of Time**

* **Prepayments - Revenue and Taxation Code Section 12255:** The commissioner, for good cause shown, may extend for not to exceed 10 days the time for making a prepayment. The extension may be granted at any time, provided that a request therefore is filed with the commissioner within or prior to the period for which the extension may be granted. Interest at the rate prescribed by Section 12631 shall be paid for the period of time for which the extension is granted.
* **Annual Tax - Revenue and Taxation Code Section 12306:** The commissioner, for good cause shown, may extend for not to exceed 30 days the time for filing a tax return or paying any amount required to be paid with the return. The extension may be granted at any time, provided that a request therefore is filed with the commissioner within or prior to the period for which the extension may be granted.
* **Interest on Extension - Revenue and Taxation Code Section 12307:** Any insurer to whom an extension is granted shall pay, in addition to the tax, interest at the modified adjusted rate per month, or fraction thereof, established pursuant to Section 6591.5 from April 1st until the date of payment.
* **To request for extension of time, s**ubmit your written request to the California Department of Insurance, Premium Tax Audit Unit for review ***prior to the payment due date:***
1. **Via e-mail to** **PremiumTaxAudit@insurance.ca.gov** **(Preferred method);**
2. or Via mail to:

California Department of Insurance

Premium Tax Audit Unit

300 South Spring Street, 9th Floor

Los Angeles, CA 90013

Your request is not considered granted until you have received a notice from the Department stating so. Late payment shall be subject to penalty and interest assessments.

**Amended Tax Returns –Tax Refund**

1. **A claim for refund shall be in writing and shall state the specific grounds upon which it is founded. (*See* Revenue and Taxation Code Sections 12978 and 12979, and Section 12432 for statute of limitations for notice of deficiency assessment.) Note: The California Department of Tax and Fee Administration will not accept a claim for refund from tax years that have expired.**
* **Check the box on the top section of page one of the tax return and indicate the date when it was amended.**
* Do not deduct or credit the requested refund when filing any future tax returns or prepayments due. The amount claimed is not a refund until certified as correct and a Notice of Refund is issued to you.
* The prepayment amount will **remain unchanged** from the original amount, which is based on the original tax return as filed and processed by the Department of Insurance.
1. **Send the claim for refund and amended tax return to the California Department of Tax and Fee Administration (CDTFA):**
2. Submit your request online: Go to <https://onlineservices.cdtfa.ca.gov/_/> and login with username and password if you have an account with the CDTFA, otherwise select "Claim a Refund or Request Relief for Insurance" under Limited Access Functions. (For questions or assistance, call CDTFA at 1-800-400-7115.)
3. Or submit via e-mail to: BTFDADABInsuranceStaff@cdtfa.ca.gov;
4. Or submit via mail to:

California Department of Tax and Fee Administration

Appeals and Data Analysis Branch MIC: 33

P.O. Box 942879

Sacramento, CA 94279-0033

1. **Send a copy to the California Department of Insurance (CDI):**
2. **Submit via e-mail to:** **PremiumTaxAudit@insurance.ca.gov****(Preferred method);**
3. Or submit via mail to:

California Department of Insurance

Premium Tax Audit Unit

300 South Spring Street, 9th Floor

Los Angeles, CA 90013-1230

**Amended Tax Returns – Additional Tax Due**

1. **If you amend a tax return to report additional tax due, send the amended tax return showing clearly where the changes were made** **and/or attach a letter of explanation. Check the box on the top section of page one of the tax return and indicate the date when it was amended.**
* The prepayment amount will remain unchanged from the original amount, which is based on the original tax return as filed and processed by the Department of Insurance.
* Any **additional** tax, penalty and interest payments are to be made by **Check Payment Only** and made **payable to “California State Controller's Office”**. Please note that EFT should only be used for the **original** annual tax and prepayments.
* All payments made toward additional tax due will be applied pursuant to California Revenue and Taxation Code Section 12636.5: “Every payment on a delinquent tax shall be applied as follows: (a) First, to any interest due on the tax. (b) Second, to any penalty imposed by this part. (c) The balance, if any, to the tax itself.”

1. **Send the amended tax return to the California Department of Insurance (CDI):**
2. **Submit via e-mail to:** **PremiumTaxAudit@insurance.ca.gov** **(Preferred method);**
3. Or submit via mail to:

California Department of Insurance

Premium Tax Audit Unit

300 South Spring Street, 9th Floor

Los Angeles, CA 90013-1230

1. **Send the Check payable to “California State Controller's Office” and a copy of the amended tax return (CDI FS Form Only) to:**

State Controller’s Office or State Controller’s Office

Departmental Accounting Office Departmental Accounting Office

Insurance Tax Program 300 Capitol Mall, Suite 1500

P.O. Box 942850 Sacramento, CA 95814

Sacramento, CA 94250-0001 Attention: Insurance Tax Program