

Karima M. Woods, Commissioner

2020 District of Columbia Insurance Premium Tax Filing Instructions

What's New for 2020:

- **BULLETIN 20-6-IB-08/24:** converting from a paper filing system to a standardized electronic filing system using OPTins. Effective immediately, all premium tax returns, installments and payments filed with the Department shall be filed electronically through OPTins. As of the date of this Bulletin, the DISB will no longer accept paper premium tax returns, installments or payments that are filed with or delivered to the Department. For detailed registration and filing instructions, visit the OPTins website at: <https://www.optins.org> or https://www.optins.org/getting_started.htm. Insurers may also contact OPTins support services at (816)783-8500 or optinshelp@naic.org.
- To implementing the BULLETIN 20-6-IB-08/24, all DC premium tax filing instructions and forms will be loaded up on the NIAC OPTins from now on. However, you could still find 2020 District of Columbia insurance premium tax filing instructions on the DISB website, but not tax forms. Please direct all your questions and concerns regarding to the BULLETIN 20-6-IB-08/24 to disb.premiumtax@dc.gov.

Things Needing Attention for 2020 filing:

- **A new SCHEDULE A – Retaliatory Tax Worksheet has been added to the 2018 DC premium tax form as PAGE 3.**
 1. **The purpose of this new SCHEUDLE A** is to provide more spaces for those DC licensed insurers domiciled in the states with a varying premium tax rate based on the line of business, type of insurers, or premium volumes, etc. **Only the insurers domiciled in the state with a varying premium tax rate are required to use SCHEUDLE A to calculate retaliatory tax.**
 2. **The insurers domiciled in the states with a flat premium tax rate for all are required to continue using PART II to calculate retaliatory tax.**
 3. Each insurer is required to fill up either SCHEDULE A or PART II, NOT BOTH. Please read the detailed filing instructions for PART II and SCHEDULE A below.

Filing Requirements:

- **All DC licensed insurance companies, including reinsurance companies, and registered risk retention groups** must file 2020 DC insurance premium tax return unless meeting the conditions listed below; Foreign and Alien insurers must also complete PART II or Schedule A of the 2020 DC insurance tax return.

- **The companies with zero (\$0) direct written premiums in DC during 2020**, satisfying all conditions listed below, are not required to file 2020 DC insurance premium tax return:
 1. Do not owe retaliatory tax to DC
 2. Do not claim CAPCO credit
 3. Do not claim a premium tax credit or refund due to prior years' overpayment or amendment of prior years' premium tax returns
 4. Do not have an overpayment from prior years or current year's installment payment to be carried over to next tax year

When and Where to File:

- 2020 DC insurance premium tax return is due on March 1, 2021. If you do not file the return and pay the tax liability by the due date, a penalty of eight percent (8%) per month will be imposed until the appropriate tax is paid.
- All 2020 DC premium tax returns and payments are mandatorily required to file and pay through the NAIC OPT*ins*. No tax returns and tax payments should be mailed to or emailed to DISB.
- If you have questions regarding use of the premium tax forms and any other matters concerning DC insurance premium taxes, please contact DISB Insurance Tax Unit at telephone (202) 442-8568 or (202) 727-8000 or Email: disb.premiumtax@dc.gov.

Instructions for 2020 DC Insurance Premium Tax Form

PART I – Premium Tax

Line 1 - Premiums: the sum of two columns of Line 1 should be agreed with the premium amount reported in Schedule T of Annual Statement filed with NAIC. Refer to the table below:

| Type of Annual Statement Filed | Premiums should be matched with the column of Schedule T |
|--------------------------------|---|
| Property & Casualty | Column 2 - Direct Premiums Written |
| Life & Health | Sum of column 2 - Life Insurance Premiums and column 4 - A&H Insurance Premiums |
| Health | Column 8 – Total Columns 2 Through 7 |
| Title | Sum of column 3, 4, 5 – Direct Premiums Written |

If the premium amount reported in Line 1 does not agree with Schedule T, the difference must be explained separately in the comments box of the return. Schedule T and state page are not required to be submitted with the tax return.

Line 2 - Qualified Premiums: defined as premiums from policies or contracts issued in connection with a pension, annuity, profit-sharing plan or individual retirement annuity qualified or exempt under

IRS code described in the DC Official Code, Section 47-2608 (2)(c) and Section 31-205 (b) (1)(B). **No other type of premiums should be reported in this line.**

Qualified premiums reported in this line must include a written explanation regarding the reasons and laws supporting the deduction in the comments box of the tax return.

Line 4 – Deductions:

4a. FEHBP & FEDVIP: FEHBP stands for federal employees’ health benefit plans and FEDVIP stands for federal employees’ dental and vision plans. Premiums from both FEHBP and FEDVIP are exempted from DC premium tax.

4e. Other: Any deductions not listed in Line 4 (a) to (d) can be taken here; a description of the deduction should be written down in the fillable field on this line.

Line 8 – Premium Tax: For non-A&H premium tax, this line is the product of multiplying Line 7 by 1.7%; for A&H premium tax, this line is the product of multiplying Line 7 by 2%.

Line 9 – Total Premium Tax: This line is designed to sum of Part I, line 8 and eliminate any negative total premium tax appearing here.

Line 10 – Retaliatory Tax (From Part II or Schedule A): the retaliatory tax amount in this line comes from either Part II line 9 or Schedule A line 6. Please do not complete both schedules in order to avoid double counting retaliatory tax.

Line 12(e) – Guaranty Fund Tax Credits and Refunds: Pursuant to D.C. Official Code §31-5410, insurance companies are granted premium tax credits or “offsets” for Class B assessments made by the DC Life and Health Insurance Guaranty Association (Guaranty Fund) at the rate of 10% (10 percent) per year for 10 years, following the year in which the assessments were made. In addition, §31-5410(b) states that “Any sums which are acquired by refund, pursuant to §31-5406(f) from the Association by member insurers ... shall be paid by member insurers to the District of Columbia...”

- Please note that Guaranty Fund Tax Credits and Refunds in Line 12(e) are granted only for Class B assessments made by the DC Life and Health Insurance Guaranty Association (“L&H Guaranty Fund”). Class A assessments are for administrative purposes and cannot be recovered through premium tax credit. Accordingly, any premium tax credits taken for Class A assessments will be rejected. **The companies with an assessment from the Property & Casualty Guaranty Fund should not take a credit on line 12(e).**
- **Companies with a Class B assessment from the L&H Guaranty Fund taking a Guaranty Fund tax credit on Line 12(e) of the tax return must submit the L&H Guaranty Fund Assessment Invoice or the “Certificate of Contribution,” along with the completed “Life and Health Insurance Guaranty Fund Class B Assessment Recovery Form** (“Guaranty Fund Form” or “Form”). Failure to do so will result in the company’s tax return being rejected. The company may be imposed additional interest and penalty in accordance with DC Official Code §47-2609.

- Instructions for completion of the Guaranty Fund Form:

To take the guaranty fund tax credit, you shall follow the steps below and refer to the Guaranty Fund Form Example to complete the Guaranty Fund Form:

1. From the combined L&H Guaranty Fund assessment invoice, pick up only the class B assessment for Life and Health accounts to key in the assessment amount in the related columns in the Guaranty Fund Form as positive number in the year the assessment is made. The form will automatically amortize each year's assessment in 10 years at 10% per year beginning the following year.
2. From the combined L&H Guaranty Fund assessment invoice, pick up the class B refund for life and health accounts to key the refund amount in the related columns in the Form as negative numbers in the year the refund is made. The Form will automatically take the whole refund amount in the following year to offset with the L&H Guaranty Fund assessment amount in the column of "Tax Credit (refund) to Line 12e". **(Please note that the L&H Guaranty Fund class B refund may not come with a separate refund check and may be used to offset with class A and annuity assessment. Accordingly, companies are advised that any L&H Guaranty Fund invoice received for less than the amount of the current Class A and annuity assessment means that the company was issued a refund for one or more of the Class B accounts.)**
3. Transfer L&H Guaranty Fund credit (refund) from the column of "Tax Credit (refund) to Line 12e" in the Form to Line 12(e) in the insurance premium tax return. Remember to transfer the same positive or negative numbers in the Form to the Return. The positive number means tax credit which should be added to Line 12(h) – Total credit & payments; the negative number means tax refund which should be subtracted from Total credits & Payments in Line 12(h).

Line 16 – Overpayment if the premium tax return indicates an overpayment on Line 16, please note that refund check will not be processed before June 1 installment payment is due. It is recommended that overpayment be applied to the future installment.

PART II – Retaliatory Tax

(Insurers domiciled in the states with a flat premium tax rate for all are required to fill out PART II)

Line 1 - DC Total Gross Premiums: sum of Part I line 1 and line 6 in positive amount, no negative number will be allowed here.

Line 6 – Other Taxes: If there is no premium tax rate for any other taxes, please enter tax amount in Premium or Tax Base column and 100% in Tax Rate column.

Line 6c - has been specifically designed for entering Minimum Premium Tax amount required by domicile state.

Line 8 – DC Premium Tax Base: Amount automatically comes from PART I line 9.

Line 9 – Retaliatory Tax Due: Amount will be automatically flown into Line 10 of PART I.

SCHEDULE A – Retaliatory Tax Worksheet

(Insurers domiciled in the states with a varying premium tax rate based on the line of business, type of insurers, or premium volumes, etc., are required to fill out SCHEDULE A)

Line 1 - Total DC Gross Premiums: Same as Line 1 of PART II.

Line 2 – Domicile State Premium Tax: Enter a description of premiums and deductions, gross premiums and deductions dollar amount and the tax rate for each different tax rate charged by the Company's domiciled state. The Total (gross premium) on Line 2k must be equal to the amount in Line 1- Total DC Gross Premiums.

Line 3 – Other Taxes: Same as Line 6 of PART II.

Line 5 – DC Premium Tax Base: Same as Line 8 of PART II.

Line 6 – Retaliatory Tax Due: Same as Line 9 of PART II.

2021 DC Installment Report

2021 DC premium tax installment report should be filed with the installment payment on or before June 1, 2021 for all DC licensed insurance companies who have the total tax liability of \$1,000 and more on Line 11 of 2020 DC Insurance Premium Tax Return. A penalty of eight percent (8%) per month will be assessed until full installment tax payment is received.