

Maryland Insurance Administration
2003 PREMIUM TAX FORMS & INSTRUCTIONS
(FOR FILING HARD COPIES)

Domestic, Fire, Casualty and/or Title Insurance Companies Tax Form:

To ensure proper processing of tax forms, it is imperative that the tax form preparer supplies accurate company information including the Company's name, address and National Association of Insurance Commissioners' (NAIC) Code on all tax forms. Separate tax forms must be prepared for each individual insurer within a group. Group filings are not acceptable.

ALL AMOUNTS SHOULD BE RECORDED IN WHOLE DOLLARS. Cents should be rounded to the nearest whole dollar. Cents equal to or greater than fifty cents (\geq \$0.50) should be rounded up to the next whole dollar. Cents equal to or less than forty-nine cents (\leq \$0.49) should be rounded down to the previous whole dollar.

Line 1

Enter the Company's "Net Premiums written in the State of Maryland in the Calendar Year". This amount equals "Direct Premiums written" + "Finance and Service Charges" – "Dividends to Policyholders" reasonably attributable to insurance business in the State of Maryland for the calendar year being taxed. These amounts can be easily obtained from the company's Schedule T (Exhibit of Premiums Written) of their annual statement, as follows:

- "Direct Premiums written" equals line 21, column 2 of the company's Schedule T. This amount should equal the gross direct premiums written during the preceding calendar year derived from or reasonably attributable to insurance business in the State of Maryland. "Direct Premiums Written" includes policy fees, membership fees, and all other fees collected by the company, less cancellations, refunds or returned premiums (excluding surrender values). If the Company failed to reduce line 21 column 2 of its Schedule T for cancellations, refunds or returned premiums, the amount on the Company's Schedule T should be used for the calculation of Line 1. Any cancellations, refunds, or returned premiums not deducted from line 21, column 2 of the company's Schedule T may be deducted on Line 3 as an "Other Deduction". "Direct Premiums Written" does not include premiums received for reinsurance from companies authorized to do business in this state or other states and jurisdictions in which the company is not licensed. No deduction from this amount may be made from gross premiums received for any commission fee or compensation paid to any agent representative.
- "Finance and Service Charges" equals line 21, column 8 of the company's Schedule T. This amount includes finance and service charges not included in "Direct Premiums Written" that is allocated to insurance business in the State of Maryland.
- "Dividends to Policyholders" equals line 21, column 4 of the company's Schedule T. This amount includes any dividends that are paid or credited to policyholders and may include dividends applied to buy additional insurance or to shorten the period during which premiums are payable (to the extent that these premiums are included in "Direct Premiums written" above).

Line 2

Enter the company's "Net premiums written in other states and jurisdictions and not taxed by the other state or jurisdiction in the Calendar Year". This amount equals "Direct Premiums written" + "Finance and Service Charges" – "Dividends to Policyholders" reasonably attributable to insurance business in states or jurisdictions in which the company does not pay premium taxes for the calendar year being taxed. This generally includes those states or jurisdictions where the company is not licensed as shown under column 1 of the company's Schedule T. However, if a company is not licensed in a state or jurisdiction, but pays premium taxes to the state or jurisdiction, those premiums subject to taxation in the other state or jurisdiction are exempt from Maryland's premium taxes. The amount of "Net premiums written in other states and jurisdictions and not taxed by the other state or jurisdiction in the Calendar Year" should be easily derived from the company's Schedule T (Exhibit of Premiums Written) of their annual statement, as follows:

- "Direct Premiums written" equals the sum of those lines under column 2 of the company's Schedule T pertaining to states or jurisdictions in which the company does not pay premiums taxes. This amount should equal the gross direct premiums written during the preceding calendar year derived from or reasonably attributable to insurance business in a state or jurisdiction in which the company does not pay premium taxes. "Direct Premiums Written" includes policy fees, membership fees, and all other fees collected by the company, less cancellations, refunds or returned premiums (excluding surrender values). If the Company failed to reduce column 2 of its Schedule T for cancellations, refunds or returned premiums, the amount on the Company's Schedule T should be used for the calculation of Line 2. Any cancellations, refunds, or returned premiums not deducted on the company's Schedule T under column 2 pertaining to those states or jurisdictions in which the company does not pay premium taxes may be deducted on Line 3 as an "Other Deduction" below. "Direct Premiums Written" does not include premiums received for reinsurance from companies authorized to do business in this state or other states and jurisdictions in which the company does not pay premium taxes. No deduction from this amount may be made from gross premiums received for any commission fee or compensation paid to any agent representative.
- "Finance and Service Charges" equals the sum of those lines under column 8 of the company's Schedule T pertaining to states or jurisdictions in which the company does not pay premium taxes. This amount includes finance and service charges not included in direct premiums written that is allocated to insurance business in states or jurisdictions in which the company does not pay premium taxes (generally, those states or jurisdictions where the company is not licensed).
- "Dividends to Policyholders" equals the sum of those lines under column 4 of the company's Schedule T pertaining to states or jurisdictions in which the company does not pay premium taxes (generally, those states or jurisdictions where the company is not licensed). This amount includes any dividends that are paid or credited to policyholders and may include dividends applied to buy additional insurance or to shorten the period during which premiums are payable (to the extent that these premiums are included in "Direct Premiums Written" above).

Line 3

Enter the “Other Deductions”. This amount would include any premiums or finance and service charges that are included in the amounts on lines 1 or 2 above that should not be subject to taxation in accordance with Title 6 of the Insurance Article of the Annotated Code of Maryland. For example, section 6-105 of the Annotated Code of Maryland specifically excludes from taxation premiums received under policies providing health maintenance organization (HMO) benefits to the extent the premiums are paid by a HMO that is exempt from premium taxes under Title 19, Subtitle 7 of the Annotated Code of Maryland. In addition, “Other Deductions” would also include any premiums received for the federal employees health benefits program, which are exempt from premium taxes. Finally, “Other Deductions” would include any cancellations, refunds, or returned premiums that were not subtracted from column 2 of the company’s Schedule T for those lines subject to premium taxes and were therefore included in the amounts on lines 1 and 2 above. “Other Deductions” should not include credits allowed by Sections 6-105 to 6-120 of the Annotated Code of Maryland since they will be entered on line 8 below. Attach an explanation to your return for any amounts recorded as “Other Deductions” under this line.

Line 4

Enter the “Total Subject to Tax”, by adding “Net Premiums Written in the State of Maryland in the Calendar Year” on line 1 and “Net Premiums Written in other states or jurisdictions and not taxed by the other state or jurisdiction in the calendar year” on line 2 and subtracting “Other Deductions” on line 3. (Line 4 = Line 1 + Line 2 – Line 3)

Line 6

Enter the “Total Maryland Taxes for the Calendar Year” by multiplying the “Total Subject to Tax” on line 4 times the premium “Rate of Tax” on line 5 of 2%. (Line 6 = Line 4 x Line 5).

Line 7

Enter the “Total Estimated Taxes Paid to Date for the Calendar Year (and overpayments applied from preceding year)”. This amount should equal the four quarterly payments of estimated taxes made by your company plus any overpayments from the preceding calendar years premium tax report that the company opted to apply to the calendar year currently being taxed. Do not include any penalties and interest paid.

Line 8

Enter the “Other Credits” as allowed by Title 6 of the Insurance Article of the Annotated Code of Maryland and authorized by the Insurance Commissioner of Maryland. Authorizations must be attached to the return in order to reduce the taxes due by the amount of the credit. The total “Other Credits” may not exceed the “Total Maryland Taxes for the Calendar Year” as recorded on line 6. Do not include any remaining credit that has not been used. If you are reducing your taxes by more than one credit, submit a schedule showing the type and amount of each credit

being used to reduce the company's taxes. The following credits are currently allowed by Title 6 of the Insurance Article of the Annotated Code of Maryland:

- Credit for neighborhood and community assistance contributions – A company may claim a tax credit against its premium taxes for neighborhood and community assistance contributions as provided under Article 83B, Section 4-704 of the Annotated Code of Maryland.
- Credit for wages and child care for qualified employment opportunity employees – A company may claim a tax credit against its premium taxes for wages paid or transportation expenses provided to a qualified employment opportunity employee and for child care provided or paid by the company for the children of a qualified employment opportunity employee under Article 88A, Section 54 of the Annotated Code of Maryland. (This credit will only be in effect until June 30, 2003.)
- Credit for certified rehabilitation – A company may claim a tax credit against its premium taxes for a certified rehabilitation as provided under Article 83B, Section 5-801 of the Annotated Code of Maryland.
- Credit for Job Creation – A company may claim a tax credit against its premium taxes for wages paid to qualified employees as provided under Article 83A, Section 5-1102 of the Annotated Code of Maryland.
- Credit for new or expanded business premises – A Company may claim a tax credit against the premium tax as provided under Section 9-230 of the Tax-Property Article of the Annotated Code of Maryland.
- Credit for long-term insurance – A Company may claim a tax credit against premium taxes as provided under Section 10-710 of the Tax-General Article of the Annotated Code of Maryland.
- Credit for wages paid under work-based learning program – A company may claim a tax credit against premium taxes for wages paid to each student under an approved paid work-based learning program as provided under Section 21-501 of the Education Article of the Annotated Code of Maryland. (This credit will only be in effect until June 30, 2004.)
- Credit for One Maryland start-up costs – A company may claim a tax credit against premium taxes for One Maryland project costs and start-up costs as provided under Article 83A, Section 5-1501 (b) and (c) of the Annotated Code of Maryland.
- Credit for cost of commuter benefits – A company may claim a tax credit against premium taxes for the cost of providing commuter benefits to the business entity's employees as provided under Section 2-901 of the Environment Article of the Annotated Code of Maryland.

Line 9

Enter the "Total Credits" by adding the "Total Estimated Taxes Paid to Date for the Calendar Year (and overpayments applied from preceding year)" on line 7 and the "Other Credits" on line 8. (Line 9 = Line 7 + Line 8)

Line 10

If the “Total Maryland Taxes for the Calendar Year” on line 6 is greater than the “Total Credits” on line 9, enter the difference as the “Balance Due”. If the “Total Maryland Taxes for the Calendar Year” on line 6 is less than the “Total Credits” on line 9, leave this line blank. (Line 10 = Line 6 – Line 9, but not less than zero)

Line 11

If the “Total Credits” on line 9 exceeds the “Total Maryland Taxes for the Calendar Year” on line 6, enter the difference as the “Overpayment”. This number should be entered as a negative number. If the “Total Credits” on line 9 is less than the “Total Maryland Taxes for the Calendar Year” on line 6, leave this line blank. If you would like to apply the “Overpayment” on line 11 to the company’s subsequent year’s taxes, place a check mark in the box below this line. If you do not place a check mark in the box, a refund will be issued to your company in the amount of the “Overpayment” recorded on line 11. (Line 11 = Line 6 – Line 9, but not more than zero)

Line 12

Enter the “Amount Paid with this Report” on line 12. Any “Balance Due” on line 10, must be paid with the return. If paying by check, make the check payable to the Maryland Insurance Administration.

Sworn Statement and Signatures

Both the President or a Principal Officer and the tax form preparer (person preparing this report) must print or type the Company’s name and sign and date the sworn statement at the bottom of the summary page attesting to the accuracy of the tax report. Fax copies, rubber stamps, or photocopies of signatures are not considered original signatures and are not acceptable.

Person to Contact Regarding This Report

Print or type the name of the person that the Maryland Insurance Administration should contact with any questions the Administration has regarding this report. Include his or her daytime telephone number in the space provided at the bottom of the page.