

Instructions for 2003 Form M11

For insurance tax laws, see Minnesota Statutes, Chapter 2971.01 – 2971.95 at www.leg.state.mn.us.

Before you file

You need a Minnesota tax ID

Your Minnesota tax ID is the seven-digit number you're assigned when you register with the Department of Revenue. Using it ensures your payments are properly credited to your account. If you do not have a Minnesota tax ID number, you must apply for one. Call 651-282-5225.

It is also important to enter your federal ID number and NAIC number on your return, but not in place of your Minnesota number.

Filing requirements

Form M11. All insurance companies and providers licensed during the tax year must file a premium tax return, Form M11, even if they have not actually transacted insurance business in Minnesota during the tax year. Insurers and providers with a premium tax liability of \$500 or more must also make estimated tax payments.

Insurance companies are no longer subject to Minnesota corporation franchise tax.

Ocean-marine insurance. Insurers authorized to write ocean-marine insurance must include direct written premiums on line 1.

Annual financial statements. Insurance companies, excluding township mutuals, that do not file statements with the NAIC are required to file a copy of their statement with the Department of Revenue (9" x 14" version).

Due dates

Form M11 is due annually on March 1.

The U.S. postmark date, or date recorded or marked by a designated delivery service, is considered the filing date (private postage meter marks are not valid). When the due date falls on a Saturday, Sunday, or legal holiday, returns postmarked on the next business day are considered on time. When a return is filed late, the date it is received at the Department of Revenue is treated as the date filed.

Payments

Electronic payments

You're required to pay electronically this year if your last year's total estimated tax payments exceeded \$120,000. Your required electronic payments include estimated and return payments.

You must also pay electronically if you're required to pay *any* Minnesota business tax electronically, such as withholding tax.

To pay over the Internet, go to www.taxes.state.mn.us and click on **e-FILE Minnesota**. If you don't have Internet access, you can pay by phone at 1-800-570-3329. You'll need your Minnesota tax ID number, and bank routing and account numbers.

To pay by other electronic payment methods, such as ACH credit method or Fed Wire, call our office for instructions.

Estimated payments

If your estimated tax for premium and/or fire insurance is more than \$500, you must make installment payments based on the entire estimated amount. To avoid an additional charge for underpaying the tax, your payments must be made on time and be at least one-fourth of the prior year's tax liability, or one-fourth of 80 percent of the current year's tax liability.

For 2004, estimated payments are due quarterly on March 15, June 15, September 15 and December 15.

We send personalized payment vouchers (Form M19) to companies that are not required to pay electronically. If you pay by check, complete an M19 voucher and mail it with your check so that your account can be credited accurately. If you choose to make your payments electronically, do not send in the M19 vouchers.

Return payment

If there is an amount due on Form M11, either pay it electronically or by check. If you pay by check, complete Form PV42 and clip or staple it with your check to the top of Form M11. If no amount is due, do not send in Form PV42.

Note: Paying by check is not an option for companies required to pay electronically.

Penalties

If you owe penalties and interest, attach a separate sheet showing your calculation.

Late payment. If you file on time but don't pay all the tax due by the due date, a late-payment penalty is due. The penalty is 5 percent of the unpaid tax for any part of the first 30 days the payment is late, and 5 percent for each additional 30-day period, up to a maximum of 15 percent.

Late filing. Add a late-filing penalty to the late-payment penalty if your return is not filed by the due date. The penalty is 5 percent of the unpaid tax. When added to the late-payment penalty, the maximum combined penalty is 20 percent.

Payment method. If you are required to pay electronically and do not, an additional 5 percent penalty applies to payments not made electronically, even if a paper check is sent on time.

Interest. You must pay interest on the unpaid tax plus penalty from the due date until the total is paid. The interest rate for calendar year 2004 is 4 percent. The interest rate may change for 2005. To figure how much interest you owe, use the following formula with the appropriate interest rate:

$$\text{Interest} = (\text{tax} + \text{penalty}) \times \# \text{ of days late} \times \text{interest rate} \div 365$$

Completing Form M11

Definitions

A **domestic insurer** is an organization that is principally engaged in the business of insurance and is incorporated under Minnesota law.

A **foreign insurer** is an organization that is principally engaged in the business of insurance and is incorporated under the laws of a state other than Minnesota.

An **alien insurer** is an organization that is principally engaged in the business of insurance and is incorporated under the laws of a country other than the United States.

A **provider** is an organization organized as a nonprofit health-plan corporation, health-maintenance organization, inte-

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grated service network or community integrated service network.

All domestic, foreign, alien insurers and providers must complete Column B (Minnesota basis).

Foreign and alien insurers (except Hawaii, Massachusetts, New York and Rhode Island domiciled companies) must also complete Column A for purposes of applying Minnesota retaliatory laws.

All premiums, deductions and resulting taxes listed in Column A must be in accordance with the laws of the state or country of incorporation as they would apply to a Minnesota insurer licensed and doing business in that state or country. If the taxing authority of the state or country of incorporation requires a supplemental schedule to support tax computations, the same type of schedule (applying to business in Minnesota) must be attached to Minnesota Form M11.

Line instructions

Round amounts to the nearest dollar. Drop any amount less than 50 cents and increase any amount that is 50 cents or more to the next higher dollar.

Lines 1, 2 and 4

On line 1, include direct fire, casualty, worker's compensation, ocean marine, bail bonds, title and other premiums, except for life, annuity, accident and health premiums.

In Column B (Minnesota basis), include direct premiums; assessments; deposits; policy, membership and survey fees; and dues, dividends and interest applied to reduce current premiums, pay renewal premiums, shorten the premium paying period, or provide extended and paid-up additional insurance.

Exclude premiums received, contributed or credited for the insurer's employees' and agents' life, accident and health insurance plans; and all return premiums on policies not taken, except cash surrender values paid upon the cancellation and surrender of policies or certificates of life insurance.

Direct premiums for "Minnesota basis" are the gross sum or consideration paid by a current or prospective assured or insured to the insurer or underwriter, for insurance against loss or damage to something or

someone. Premiums include premium finance, service or other charges paid to the insurer, as well as dividends applied for new, renewal or extended insurance.

Bail bond insurance. Insurance companies writing bail bond insurance should report all premiums charged, including the portion retained by agents, in the annual financial statement on Schedule T and the Minnesota business page. If your state of domicile does not require this type of reporting, attach a schedule to your Minnesota return showing the total premium amount retained by the agents.

A **return premium** for "Minnesota basis" is any dividend, or unused or unabsorbed portion of premium deposit or assessment, that is applied toward the payment of any premium, premium deposit or assessment due from the policy holder or member when the insurance account, on which the dividend was earned or premium deposit or assessment was paid, is continued or renewed.

Return premiums also include any portion of premium returned by the insurer when the policy or membership is cancelled or terminated, or when there are changes in coverages or premium adjustments.

Surrender values paid upon the cancellation and surrender of policies or certificates of life insurance are not return premiums for premium-tax purposes.

Lines 7 and 8

Enter the dividends to be included in the gross taxable business. If premium dividends, etc., differ from your annual statement, attach a statement explaining the differences.

Line 11

Enter the amount of ocean-marine premiums included on line 1 that are allowable deductions under state of incorporation basis.

Lines 13 through 18

Enter dividends only if returned to the insured person or corporation paying the premium.

Line 22

If you did not pay the correct amount of estimated tax by the due dates, and your tax liability is more than \$500, you may have to

pay an additional charge for underpaying. Complete the worksheet on page 3. Use premium and fire insurance tax liabilities calculated under Minnesota basis. Do not include retaliatory tax.

Overpayments from prior years or prior estimated overpayments should be applied before underpayment charges are figured.

Worksheet instructions, line 5

Payments of estimated tax are applied against any underpayments of required installments in the order that the installments were due.

For example, if your first installment is underpaid by \$100 and you deposit \$200 for your second installment, \$100 of your second payment is applied to the first installment. The additional charge for the first installment is computed from the first installment's due date to the date the second payment is made.

Also, the second installment will then be underpaid by \$100 (assuming that the second payment is \$200) until sufficient repayments are received to eliminate the underpayment.

If more than one payment has been made for a required installment, attach a separate computation for each payment.

Credit the excess of any overpayment for a period on line 5 of the next payment period.

Worksheet instructions, line 10

If there is no underpayment on line 7, enter "none" on line 10 for that period.

Line 25

If premiums are taxed at more than one rate, enclose a schedule showing rates and premiums.

Line 28

Alien and foreign insurers (except those incorporated in Hawaii) must complete line 28. An amount paid to a government entity is a tax if it is used for the general costs of government. Include additional workers' compensation; annuity considerations; and fire department, franchise, license and all other taxes based on premi-

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ums. Include those taxes levied for the maintenance of boards, bureaus, departments, etc., under the laws of the state or country of incorporation that a Minnesota insurer licensed in that state or country would be required to pay.

Special purpose obligations, special purpose assessments, or assessments imposed in connection with particular kinds of insurance, are not considered taxes, licenses or fees for the purpose of retaliation.

Lines 35 and 36 Deductions for assessments

If assessments are more than your tax liability (positive amount on line 34), use only the amount necessary to reduce your tax liability to zero; the remaining amount may be deducted in future tax years.

If you receive a refund for an assessment, the refund must be subtracted from the assessment amount. If a refund is more than the assessment, the excess must be paid to Minnesota. (M.S. Chapter 297I.20[b][2].)

Line 35. Twenty percent of assessments (less any refunds) made and paid to the Minnesota Life and Health Guaranty Association or the Minnesota Insurance Guaranty Association after July 31, 1994, and on or before December 31 of each year since, are allowable offsets against the tax liability for the five years following the assessment.

Line 36. Assessments (less any refunds) paid to the General Liability JUA under M.S. Chapter 62I are allowable deductions.

Any assessments paid to the Medical Malpractice JUA under M.S. Chapter 62F are not deductible under the Minnesota basis.

Line 37

The amount on line 37 can only be negative due to return premiums. It cannot be negative due to guaranty fund association offsets or JUA assessments (*see instructions for lines 35 and 36 on this page*).

Line 38

Enter the amount of estimated premium and fire insurance tax you paid, plus any overpayment for last year that you had credited to estimated tax.

Mailing your return

Mail your return to: Minnesota Revenue, Mail Station 1780, St. Paul, MN 55145-1780.

For express deliveries, use our street address: 600 N. Robert St., St. Paul, MN 55101

Information and assistance

If you need more information or help to complete your return, call 651-297-1772.

TTY: Call 711 for Minnesota Relay. We'll provide information in other formats upon request to persons with disabilities.

Insurance forms are available on our website at www.taxes.state.mn.us or from our St. Paul office at 600 North Robert Street near the state capitol.

Worksheet: Additional Charge for Underpaying Estimated Tax for 2003

- 1 Enter 80 percent of the tax from line 29B of your 2003 Form M11 **1** _____
- 2 Enter the amount from line 29B of your 2002 Form M11. If you did not file a 2002 return or if your tax liability was less than \$500, you do not owe an additional charge **2** _____

	Due dates			
	March 17	June 16	Sept. 15	Dec. 15
3 Enter one-fourth of line 1 or line 2 (whichever is less) in each column. Combine premium and fire insurance 3	_____	_____	_____	_____
4 Amounts paid on or before due date each period. Include credits applied, such as prior year's overpayment 4	_____	_____	_____	_____
5 Overpayment of previous installment (<i>see instructions</i>) 5	_____	_____	_____	_____
6 Add lines 4 and 5 6	_____	_____	_____	_____
7 Underpayment (or overpayment) Subtract line 6 from line 3 . . 7	_____	_____	_____	_____
8 Date underpayment is paid or March 1, 2004, whichever is earlier 8	_____	_____	_____	_____
9 Number of days from the due date to the date on line 8 9	_____	_____	_____	_____
10 Additional charge (<i>line 9 ÷ 365 × .05 × line 7</i>) 10	_____	_____	_____	_____
11 TOTAL. Add amounts on line 10. Enter this amount on Form M11, line 22 11	_____	_____	_____	_____

If line 11 is zero, keep this worksheet for your records. Do not send it with your return.
If line 11 is not zero, attach a copy of the worksheet to your M11 return.