

# STATE OF ALASKA

DEPARTMENT OF COMMERCE AND  
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

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## Bulletin B98-03

TO: All Licensed Alaska Insurers and Surplus Lines Brokers

RE: Regulations Regarding the Frequency and Method of Premium Tax Payments

The Alaska State legislature has authorized the Division of Insurance to collect insurance premium tax as frequently as quarterly, effective January 1, 1998. On October 14, 1997, the division held a hearing to take public testimony on proposed regulations regarding the frequency and method of premium tax payments. The division subsequently adopted regulations in Title 3 of the Alaska Administrative Code (3 AAC 21.550 - 3 AAC 21.570), which became effective on February 6, 1998.

The purpose of this bulletin is to inform all licensed Alaska insurers and surplus lines brokers of the new regulations and to answer questions that may arise regarding these regulations. All entities required to pay tax under AS 21.09.210, AS 21.34.180, or AS 21.66.110 should review this bulletin and the new regulations.

### I. Requirements for Insurers Who Pay Taxes Under AS 21.09.210 and AS 21.66.110

Alaska insurers who have paid \$10,000 or more in premium tax in the previous tax year are required to make quarterly premium tax payments the next tax year. The requirement to pay quarterly taxes does not apply to tax and fees on ocean marine contracts or retaliatory fees. The quarterly tax payments due on or before May 31, August 31, and November 30 are calculated by dividing the total premium tax paid the previous year by four. On or before March 1 of the following year, the insurer calculates its total annual tax on the division's form and pays any balance due. If the insurer's first three quarterly payments exceed the total annual tax due, the insurer may request a refund or ask to have the excess credited in the current year.

For example, an insurer who has reported and paid \$10,000 or more in premium tax in 1997 must make quarterly payments as follows:

<u>Date Payment Due</u>	<u>Amount of Payment</u>
May 31, 1998	one-quarter of the 1997 tax payment

August 31, 1998	one-quarter of the 1997 tax payment
November 30, 1998	one-quarter of the 1997 tax payment
March 1, 1999	final payment based on the calculation of actual tax due for the entire 1998 premium tax year less the amount paid in the previous three quarterly payments

## II. Requirements for Surplus Lines Brokers Who Pay Taxes Under AS 21.34.180

Alaska surplus lines brokers who have paid \$10,000 or more in premium tax in the previous tax year are required to make quarterly premium tax payments the next tax year. The requirement to pay quarterly taxes does not include the one percent filing fee that is paid each year. Surplus lines brokers have a choice of two methods for paying the taxes.

A) The quarterly tax amount is calculated by dividing the total premium tax paid the previous year by four. Payments are due on or before May 31, August 31, and November 30. On or before March 1 of the following year, the surplus lines broker calculates the total annual tax and pays any balance due. See the example above in section 1.

OR

B) The surplus lines broker may take the aggregate premium tax payable as shown on the monthly surplus lines insurance reports for the corresponding three-month period as follows:

<u>Date Payment Due</u>	<u>For Payments of Tax Shown on Monthly Reports for</u>
May 31, 1998	January, February, and March, 1998
August 31, 1998	April, May, and June, 1998
November 30, 1998	July, August, and September, 1998
March 1, 1999	October, November, and December, 1998

## III. Responsibility, Waivers, and Refunds for Insurers and Surplus Lines Brokers

The insurer or surplus lines broker is responsible for determining if it is required to make quarterly premium tax payments under 3AAC 21.560. The director may grant a waiver from quarterly tax payments if an insurer or surplus lines broker demonstrates to the satisfaction of the director that it will materially overpay its premium tax for a tax year unless a waiver is granted.

Within 60 days of a refund request, the director will refund an overpayment of premium tax made by an insurer or surplus lines broker.

## IV. Method of Payment and Forms

Whether they are made quarterly or annually, all premium tax payments must be paid through the automated clearinghouse (ACH) debit or credit payment system. Any licensed Alaska insurers and surplus lines brokers not using this system already should contact Ken Cesar to

make the appropriate arrangements. The necessary forms to be used to file quarterly tax reports in 1998 are attached.

To obtain information about the ACH program or the quarterly tax forms, please contact Ken Cesar, Revenue Auditor, at (907) 465-2584 or Ken.Cesar@alaska.gov via electronic mail. For questions regarding other matters dealing with premium tax payments, please contact Dean George, Insurance Financial Examiner, at (907) 465-4608 or Dean.George@alaska.gov via electronic mail.

DATED: April 22, 1998



Marianne K. Burke  
Director of Insurance

Register 145, April 1998 COMMERCE AND ECON. DEV.

**TITLE 3. COMMERCE AND ECONOMIC DEVELOPMENT.**

**PART 2. DIVISION OF INSURANCE.**

**CHAPTER 21. INSURER -FINANCIAL.**

3 AAC 21 is amended by adding a new article to read:

ARTICLE 5. FREQUENCY AND METHOD OF PREMIUM TAX PAYMENTS. Section

550. Annual premium tax payment

560. Quarterly premium tax payments

570. Method of payment

3 AAC 21.550. ANNUAL PREMIUM TAX PAYMENT. Except as provided in 3 AAC 21.560, for a tax year ending December 31, an entity required to pay a tax under AS 21.09.210, AS 21.34.180, or AS 21.66.110 shall pay the required tax to the director on or before March 1 of the following tax year. (Eff. 2/6/98, Register 145)

Authority: AS 21.06.090 AS 21.34.180 AS 21.66.110

AS 21.09.210

3 AAC 21.560. QUARTERLY PREMIUM TAX PAYMENTS. (a) An authorized insurer who pays the director \$10,000 or more in one tax year under the requirements of AS 21.09.210 or AS 21.66.110 shall, in the following tax year, pay the premium tax in four payments. If required to

pay premium tax in four payments, an authorized insurer shall, on or before May 31, August 31, and November 30, pay to the director one-fourth of the total annual premium tax it paid during the previous tax year, and shall, on or before March 1 of the following year, calculate its total annual tax on forms provided by the director, file the forms, and pay any balance due or request a refund or tax credit for any overpayment. However, the provisions of this subsection do not apply to the tax due on contracts described in AS 21.09.210(d).

(b) Each surplus lines broker who pays the director \$10,000 or more in one tax year under the requirements of AS 21.34.180 shall, in the following tax year, pay the premium tax in four payments by

(1) making payments as provided in (a) of this section, or

(2) making payments of the aggregate tax payable to this state shown on the monthly reports required by AS 21.34.170 for the corresponding three-month periods as follows:

Due date	For payments of tax shown on monthly reports for
May 31	January, February, and March
August 31	April, May, and June
November 30	July, August, and September
March 1	October, November, and December.

(c) The director will refund an overpayment made by an authorized insurer or surplus lines broker within 60 days of receiving a refund request.

(d) If an authorized insurer or surplus lines broker required to pay premium tax in four payments under this section can demonstrate that its premium receipts for a tax year are likely to decline to a level at which it will not pay at least \$10,000 in premium tax in that year, it may apply to the director for a waiver from (a) or (b) of this section. The director will, in the director's discretion, grant a waiver if the director finds that the authorized insurer or surplus lines broker will materially overpay its premium tax for the tax year unless a waiver is granted. (Eff. 2/6/98, Register 145)

Authority: AS 21.06.090 AS 21.34.180 AS 21.66.110

AS 21.09.210

3 AAC 21.570. METHOD OF PAYMENT. An authorized insurer or surplus lines broker shall pay all premium taxes by using the automated clearinghouse debit or credit payment system. (Eff. 2/6/98, Register 145)

Authority: AS 21.06.090 AS 21.34.180 AS 21.66.110

AS 21.09.210

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Click here for a copy of the [Quarterly Payments of Estimated Premium Taxes](#) form. Note:  
You will need to download [Adobe Acrobat Reader](#) to view and print the form.