



# FORM INS-4 MAINE

# 2007

## INSURANCE PREMIUMS TAX RETURN

### GENERAL INSTRUCTIONS

#### WHO MUST FILE

With the exception of Risk Retention Groups, every insurance company, association, producer or attorney-in-fact of a reciprocal insurer that does business or collects premiums or assessments (including annuity considerations) in Maine, including surety companies and companies engaged in the business of credit insurance or title insurance, must file estimated quarterly returns (Form INS-1) and an annual return (Form INS-4). Risk Retention Groups are not required to file estimated quarterly returns but must file an annual return. An insurance company with an annual tax liability not exceeding **\$1,000** may file only an annual return with payment. Captive insurers are no longer subject to the insurance premium tax; instead, they must file corporate income tax returns. See Form 1120ME for details.

#### WHEN TO FILE AND PAY

The annual return and final tax payment for **2007** are due March 15, 2008. The return must include a copy of the NAIC Schedule T and the NAIC Maine state page. All schedules and documents submitted should be clearly identified with the Maine Revenue Services (MRS) Insurance Account Number for your company.

Estimated quarterly returns and payments for **2008** are due April 30, June 25 and October 31, 2008, and are filed using Form INS-1 (Maine Estimated Quarterly Return for Premium and/or Workers' Compensation Insurance Tax).

Each required estimated payment for **2008** may be based either on the 2008 estimated tax liability or on the 2007 Form INS-4. April and June installments must each equal at least 35% of either the 2007 total tax liability or 35% of the 2008 estimated tax liability. The October installment must equal 15% of either the 2007 total tax liability or 15% of the 2008 estimated tax liability and the balance due must be submitted with the 2008 Form INS-4.

**Note:** Certain taxpayers with large annual tax liabilities are required to remit tax payments electronically. See Maine Rule 102 on the MRS web site (select Laws & Rules) for details.

#### MRS INSURANCE ACCOUNT NUMBER

The Maine Revenue Services (MRS) Insurance Account Number is an eleven digit identification number comprised of your nine digit federal EIN with a two

digit Maine suffix. The suffix will be '01' unless you are notified by Maine Revenue Services that a different suffix has been assigned.

#### INTEREST AND PENALTIES

Beginning January 1, 2008, the interest rate is 12% per annum, compounded quarterly. The penalty for failure to file a return on time is the greater of \$25 or 10% of the tax due, unless the return is filed more than 30 days after the receipt of a demand notice from the state tax assessor, in which case the failure-to-file penalty is 100% of the tax otherwise due. The penalty for failure to pay a tax liability timely is 1% of the outstanding liability for each month or fraction thereof during which the failure continues, to a maximum of 25% of the outstanding liability.

#### WHOLE DOLLAR AMOUNTS

Enter money items as whole dollar amounts. Drop any amount under 50 cents to the lower dollar amount and increase any amount 50 cents through 99 cents to the higher dollar amount.

#### FOR INFORMATION AND FORMS

Web site: [www.maine.gov/revenue](http://www.maine.gov/revenue)  
Address: Maine Revenue Services  
PO Box 9120  
Augusta, ME 04332-9120  
Telephone: (207) 624-9753  
Monday-Friday, 8 a.m.-5 p.m.  
Order Forms: (207) 624-7894

#### STATUTORY REFERENCES

Title 36 M.R.S.A. §§ 2512 through 2530.

#### SUPPORTING RECORDS

Taxpayers should be prepared to provide supporting documentation for reported amounts that are not supported directly by information in the NAIC Annual Statement. Adequate records must be maintained in a manner that ensures their accessibility to the state tax assessor for a period of at least six years.

**Note:** The Maine insurance premiums tax is in addition to the fire investigation and prevention tax (Form INS-5).

# SPECIFIC INSTRUCTIONS

## **Part A - Maine Tax Computation**

**Premium amounts to be reported:** A premium is an amount paid or payable for an insurance policy, including all fees, such as membership, policy, survey, inspection, service and finance fees that are assessed by an insurance company in consideration for an insurance policy. The instructions below provide guidance to assist in the preparation of this return. However, accurate and full reporting of premium amounts, including all applicable fees, is the responsibility of each taxpayer.

**Line 1a.** Enter the gross direct accident and health premiums upon risks located or resident in Maine. Generally, accident and health premiums are reported on the NAIC Annual Statement, Schedule T, column 4, line 20.

**Line 1b.** Enter the gross direct life premiums upon risks located or resident in Maine. Generally, gross direct life premiums are reported on the NAIC Annual Statement, Schedule T, column 2, line 20.

**Line 1c.** Enter the gross direct property and casualty premiums on risks located or resident in Maine. Generally, property and casualty premiums are reported on the Maine State Page of the NAIC Annual Statement, column 1 and related finance and service charges are reported on Schedule T, column 8 (Finance and Service Charges not Included in Premiums). Exclude direct workers' compensation premiums that are reported on line 1d below.

**Line 1d.** Enter the gross direct workers' compensation premiums on risks located or resident in Maine. Generally, direct workers' compensation premiums are reported on the Maine State Page of the NAIC Annual Statement, column 1, line 16.

**Line 1e.** Enter the gross direct title insurance premiums written on risks located or resident in Maine. Generally, gross title insurance premiums written are reported on the NAIC Annual Statement, Schedule T, columns 3, 4 and 5, line 20.

**Line 1g.** Enter annuity considerations received during the taxable year for the purchase of immediate or deferred annuities. Generally, these are included on the NAIC Annual Statement, Schedule T, columns 3 and 6, line 20. Annuity considerations must be reported in the year in which the premium is paid by the annuitant, including payments made during the accumulation period for a deferred annuity. Tax on annuity considerations applies only to annuity contracts issued on or after August 1, 1943.

**Line 1h.** Enter **only** annuity considerations annuitized during this taxable year that were received in a tax

year ending prior to January 1, 1999 and on which no premiums tax has been paid. Annuity considerations received in tax years ending prior to January 1, 1999 on which no tax was paid in the year received **must** be taxed in the year in which an annuity is actually purchased. (**See 36 M.R.S.A. § 2513.**) Annuity considerations reported on this line must include both the amount paid by the policyholder and the interest credited to the account that accumulated over the years before the policy was annuitized. Any amounts such as charges and/or fees collected by the company may not be deducted in calculating the amount reported.

**Lines 2 - 6.** See instructions for Schedule 1.

**Line 8a.** Enter **only** the amount of net premiums on qualified group disability policies written by a large domestic insurer and included in line 7. A large domestic insurer (defined as an insurer domiciled in Maine with assets in excess of \$5,000,000,000 as reported on its annual statement) must pay tax at the rate of 2.55% on premiums on qualified group disability policies written.

**Line 9a.** Enter **only** the amount of net premiums on long-term care policies certified by the Superintendent of the Bureau of Insurance in accordance with Title 24-A, § 5054 and qualified group disability policies included on line 7, but not included on line 8a. Long-term care policies that have not been certified are taxed at the rate of 2% and must, therefore, be included on line 10a. According to 36 M.R.S.A. § 2513, the term qualified group disability policies is limited to group health insurance policies properly reported as such in the insurer's annual statement and whose sole coverage is the full or partial replacement of an individual's income in the event of a disability. Policies that contain coverage in addition to replacement of income coverage are considered to solely provide replacement of income coverage as long as the premium related to the additional coverage is not more than 10% of the total premium charged.

Enclose supporting documentation if reporting gross direct premiums collected or contracted for long-term care policies certified by the Superintendent of the Bureau of Insurance in accordance with Title 24-A, § 5054.

**Line 10a.** Enter the premiums from line 7 less premiums reported on lines 8a and 9a.

## **Part B - Retaliatory Tax Computation**

Retaliatory taxes are assessed on foreign or alien insurers, licensed and doing business in Maine, whose state or Canadian province of incorporation would assess, in the aggregate, an overall higher tax on a

## SPECIFIC INSTRUCTIONS (CONTINUED)

Maine insurer than Maine assesses on such foreign or alien insurers operating in Maine. Enter on lines 12 through 15 the amounts from column H on Schedule 2 as indicated on Part B of Form INS-4.

### **Part C - Tax Due**

**Line 16.** For foreign or alien insurers, the Maine insurance premiums tax is the greater of the tax imposed by Maine or the tax that would be imposed by the insurer's state or Canadian province of incorporation. Enter the greater of line 11 or line 15.

**Line 17.** Enter the overpayment carried forward from the previous tax year and any estimated payments made for the current tax year.

**Line 18.** Enter the amount of credits claimed under 36 M.R.S.A. §§ 2524 through 2529 (credit for employer-assisted day care, credit for employer-provided long-term care benefits, the Pine Tree Development Zone credit and the credit for Maine Life and Health Guaranty Association).

Tax credits cannot exceed the amount on line 16. Attach a worksheet for each credit claimed (most worksheets available at [www.maine.gov/revenue/forms](http://www.maine.gov/revenue/forms)).

**Line 19.** Enter the amount due. Payment must be attached to the return. Late payments are subject to interest and penalties (see general instructions).

**Note:** Certain taxpayers with large annual tax liabilities are required to remit tax payments electronically. See Maine Rule 102 on the MRS web site (select Laws & Rules) for details.

**Line 21a. PORTION OF OVERPAYMENT TO BE APPLIED TO NEXT YEAR'S TAX:** Use this line only if you want to have all or part of the overpayment on line 19 applied as an estimated payment to next year's Maine insurance premiums tax.

**Line 21b. PORTION OF OVERPAYMENT TO BE REFUNDED:** Enter here the portion of the overpayment on line 20 to be refunded. The amount entered on this line must equal the difference between lines 20 and 21a.

Copies of the following documents, which are also part of the taxpayer's Annual Statement filed with the Maine Bureau of Insurance, must also be attached to this return. Clearly identify all schedules and documents submitted with your MRS Insurance Account Number.

#### **Domestic and Foreign Life Insurance Companies**

- Summary of Operations
- Schedule T – Premiums and Annuity Considerations Allocated by States and Territories
- Direct Business in the State of Maine (Maine State Page)

#### **Other Than Life Insurance Companies**

- Exhibit of Premiums and Losses (Maine state page filed with Property & Casualty Annual Statement)
- Exhibit of Premiums, Enrollment and Utilization (Maine state page filed with Health Annual Statement)
- Schedule T, Part 1 – Exhibit of Premiums Written
- Operations and Investment Exhibit – Statement of Income (Title Insurers Only)

## SCHEDULE 1 INSTRUCTIONS

**Line 1.** Enter in each column the amount of direct premiums for each insurance product line, as indicated in the column headings, that were **returned to policyholders** during the tax year. Include returned premiums that were paid and subject to Maine premiums tax in a prior year, as well as returned premiums that were paid in 2007 and are included on your 2007 Form INS-4, Part A, line 1. Payments made pursuant to a benefit provision of a policy are not return premiums, even if labeled as such.

Deductions for direct return premiums apply to deferred annuities only if the premiums tax was paid on a "front end" basis (i.e., the premium tax was paid in the year in which the premium was paid by the annuitant). Payments refunded to policyholders that were previously reported by the company as taxable annuity premiums

may be deducted as returned premiums. However, only the previously taxed premiums, and not the earnings, may be deducted. If a deferred annuity contract is surrendered as part of the annuitization process, the previously taxed premiums included in the surrender may be deducted as returned premiums. The entire amount of the resulting immediate annuity will be taxable.

In the case of a partial surrender of an annuity contract, no deduction is allowed for return premiums unless, and until, the amount returned exceeds the accumulated earnings in the account. The deduction is further limited to the lesser of the amount of previously taxed considerations or the portion of the surrender exceeding the accumulated earnings.

## SCHEDULE 1 INSTRUCTIONS (CONTINUED)

**Line 2.** This line does not apply to risk retention groups. Enter in each column the dividends paid to policyholders or credited on renewals during the year for each product line as indicated in the column headings. Dividends paid are generally found on the State Page of the NAIC Annual Statement. Dividends applied to the purchase of paid up additions are NOT deductible. Do not include dividends paid to policyholders or credited on renewals that relate to qualified group disability policies or any other policies that are exempt from the Maine premiums tax.

Enter the accident and health dividends paid to or credited to policyholders. These are generally reported on the Maine State Page of the NAIC report, line 25.6, column 3. Enter the sum of life insurance dividends paid in cash or left on deposit or applied to renewal premiums that are generally reported on the Maine State Page of the NAIC report, lines 6.1 and 6.2, column 5.

**Line 3.** This line does not apply to risk retention groups.

Enter premiums exempt from taxation under qualified pension plans. Refer to 36 M.R.S.A. § 2514 for an explanation of premiums that are exempt from taxation. Do not include Roth IRAs established under IRC § 408-A.

**Line 4.** This line does not apply to risk retention groups. Enter exempt premiums not reported on lines 2 or 3. Do not include premiums exempt under qualified pension plans as those amounts are reported on line 3. If an exemption is being claimed pursuant to federal law, attach a citation to the applicable federal authority. Attach an explanation and any other documentation necessary to substantiate the amounts entered on this line.

**Line 5.** Combine the amounts entered on lines 1-4 for each column and enter the totals on line 5. Follow the instructions on the schedule for entering amounts in column H on the appropriate lines on Form INS-4.

## SCHEDULE 2 INSTRUCTIONS

Schedule 2 is used to calculate the amount of tax imposed on Maine premiums by the company's state of incorporation or province of Canada.

**Line 1.** Enter in each column the amount of gross direct premiums and related fees taxable in accordance with the laws of your state of incorporation (or province of Canada) for each product line. Enter the sum of columns A-G in column H and on Form INS-4, line 12.

**Line 2.** Enter in each column for each product line deductions allowable for Maine insurance premiums tax purposes calculated in accordance with the laws of your state of incorporation (or province of Canada). Attach an explanation and documentation for any deductions claimed. Attachments should include your company name and MRS insurance account number. Enter the sum of columns A-G in column H and on Form INS-4, line 13.

**Line 3.** Subtract line 2 from line 1 for columns A-G. Enter the sum of columns A-G in column H and on Form INS-4, line 14.

**Line 4.** Enter the tax rate of your state of incorporation (or province of Canada) for each insurance product line as indicated in the headings of columns A-G.

**Line 5.** Multiply line 3 by line 4 for columns A-G. For each column, enter the greater of the product of lines 3 and 4 or the minimum tax your state of incorporation (or province of Canada) would impose on the business reported in that column. In calculating the minimum tax, do not include fees imposed by your state of incorporation (or province of Canada). Enter the sum of columns A-G in column H and on Form INS-4, line 15.

The insurance premiums tax is no longer imposed on captive insurance companies. All captive insurance companies are now subject to the Maine corporate income tax (Form 1120ME). This amendment applies to tax year beginning on or after January 1, 2007. See M.R.S.A. 36 § 5102.