



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2011(18)

25 Sigourney Street Ste 2
Hartford CT 06106-5032

SPECIAL NOTICE

2011 Legislative Changes Affecting the Premiums Tax on Insureds Directly Procuring, Continuing or Renewing Insurance from a Nonadmitted Insurer

Purpose: This Special Notice summarizes legislation passed during the 2011 Session of the Connecticut General Assembly affecting the tax on insureds who directly procure, continue or renew insurance from a nonadmitted insurer.

Effective Date: Effective for insurance coverage directly procured, continued or renewed from a nonadmitted insurer during any period beginning on or after July 1, 2011.

Statutory Authority: Conn. Gen. Stat. §38a-277, as amended by 2011 Conn. Pub. Acts 61, §33.

Definitions: For purposes of this Special Notice:

- **Nonadmitted and Reinsurance Reform Act of 2010** or **NRRA** means Sections 511 to 542, inclusive, of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203.
- **home state** means home state, as defined in Section 527 of the NRRA, and means, with respect to an insured,
 - the state in which an insured maintains its principal place of business or, in the case of an individual, the individual's principal residence, or
 - if 100 per cent of the insured risk is located out of the home state, the state to which the greatest percentage of the insured's taxable premiums for that insurance contract is allocated.
- **DRS** means the Department of Revenue Services.
- **nonadmitted insurer** is a nonadmitted insurer, as defined in Section 527 of the NRRA and means,

with respect to Connecticut, an insurer not licensed to engage in the business of insurance in Connecticut.

Nonadmitted and Reinsurance Reform Act of 2010:

By enacting the NRRA, Congress, effective July 1, 2011, preempted every state *other than the home state of an insured* from requiring any premium tax payment from the insured for nonadmitted insurance. In addition, Congress authorized states to enter into a compact or otherwise establish procedures to allocate among the states the premiums taxes paid to an insured's home state. See *NIMA*, below.

Period Prior to Effective Date of the NRRA:

For insurance directly procured, continued or renewed from a nonadmitted insurer during the period beginning January 1, 2011 and ending June 30, 2011, an insured shall file **Form 115A, Premium Tax Return/Tax on Premiums Charged by Unauthorized Insurers**. The insured is liable for the tax, whether or not Connecticut is the insured's home state, as long as a portion of the premiums paid is properly allocable to risk or exposures located in Connecticut. The insured will pay a premium tax only on that portion of the premiums paid which is properly allocable to risks or exposures located in Connecticut. The insured will not use Form 115A to report on insurance directly procured, continued or renewed from a nonadmitted insurer during any period beginning on or after July 1, 2011. The due date of Form 115A will remain March 1, 2012. Form 115A will be revised in early November 2011 to reflect these changes and will be posted on the DRS website. Effective immediately, **Form 115AR, Report of Procurement, Continuance, or Renewal of Insurance with Unauthorized Insurer**, is no longer required to be filed with DRS.

Period on or after the Effective Date of the

NRRA: For insurance directly procured, continued or renewed from a nonadmitted insurer during any period beginning on or after July 1, 2011 and ending before January 1, 2012, the insured shall file:

- **Form 115B**, *Nonadmitted Insurance Premium Tax Return*, for the calendar quarter beginning July 1, 2011 and ending September 30, 2011. An insured is liable for the tax if and only if Connecticut is the insured's home state. If so, the insured will pay a premium tax on the total premiums paid, even if some portion of the premiums would otherwise be allocable to risks or exposures located outside Connecticut. The due date of Form 115B is November 15, 2011. Form 115B will not be mailed to insureds but will be posted on the DRS website in early November 2011.
- **Form 115C**, *Nonadmitted Insurance Premium Tax Return*, for the calendar quarter beginning October 1, 2011 and ending December 31, 2011. An insured is liable for the tax if and only if Connecticut is the insured's home state. If so, the insured will pay a premium tax on the total premiums paid, even if some portion of the premiums would otherwise be allocable to risks or exposures located outside Connecticut. The due date of Form 115C is February 15, 2012. Form 115C will not be mailed to insureds but will be posted on the DRS website in early November 2011.

NIMA: In passing the NRRA, Congress also authorized states to enter into a compact or otherwise establish procedures to allocate among the states the premiums taxes paid to an insured's home state. The State of Connecticut entered into such a compact, known as the Nonadmitted Insurance Multi-State Agreement or NIMA. The states that have entered into NIMA are known as the Participating States.

Under NIMA, the Participating States have agreed to use a clearinghouse for the reporting and payment of premium taxes on nonadmitted insurance. Once the clearinghouse is operational, insureds directly procuring, continuing or renewing nonadmitted insurance will file their quarterly premium tax returns on nonadmitted insurance with the clearinghouse (not with their home state) and will pay their taxes on nonadmitted insurance to the clearinghouse (not to their home state).

The clearinghouse will **not** be operational to process returns for the third and fourth calendar quarters of 2011. The returns for the third and fourth calendar quarters of 2011 will be filed as described in *Period on or After the Effective Date of the NRRA*, above.

It is anticipated, however, that the clearinghouse will be operational to process returns for the first calendar quarter of 2012 and thereafter. The returns will be due on May 15, for the calendar quarter beginning January 1 and ending March 31; on August 15, for the calendar quarter beginning April 1 and ending June 30; on November 15, for the calendar quarter beginning July 1 and ending September 30; and on February 15, for the calendar quarter beginning October 1 and ending December 31. When more information concerning the clearinghouse is available, DRS will post the information on its website.

In addition, once the clearinghouse is operational, insureds will be required to report premiums, allocated by state and as provided by NIMA, to the clearinghouse.

Effect on Other Documents: None affected.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by the DRS.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere).

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Visit the DRS website at www.ct.gov/DRS to download and print Connecticut tax forms and publications.

Paperless Filing/Payment Methods (fast, easy, free, and confidential):

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at www.ct.gov/TSC to file a variety of tax returns, update account information, and make payments online.

File Electronically: You can choose first-time filer information and filing assistance or log directly into the *TSC* to file returns and pay taxes.

Pay Electronically: You can pay taxes for tax returns that cannot be filed through the *TSC*. Log in and select the *Make Payment Only* option. Designate

a payment date up to the due date of the tax and mail a paper return to complete the filing process.

DRS E-Alerts Service: Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures. **DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at www.ct.gov/DRS and select *e-alerts* from the left navigation bar.

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