

D. Tax Basis (G.S. 105-228.5)

The tax imposed on an insurer is based on gross premiums from business done in the State during the calendar year. Finance charges are included in gross premiums.

In the case of life insurance contracts, including supplemental contracts providing for disability benefits, accidental death benefits, or other special benefits that are not annuities and excluding contracts of reinsurance, gross premiums from business done means all premiums collected in the calendar year. Insurers are allowed to deduct premiums refunded on policies rescinded for fraud or other breach of contract and premiums that were paid in advance on life insurance contracts and subsequently refunded to the insured, premium payer, beneficiary, or estate.

For all other contracts of insurance, including contracts of insurance required to be carried by the Workers' Compensation Act and excluding contracts of reinsurance, gross premiums from business done in the State means all premiums written, or the equivalent thereof in the case of self-insurers under the Workers' Compensation Act, for contracts covering property or risks in this State, whether the premiums are designated as premiums, deposits, premium deposits, policy fees, membership fees, or assessments.

If, for any tax year, returned premiums exceed gross premiums collected, insurers may reduce taxable premiums to zero. The general statutes do not provide for the carryforward of any unused returned premiums or the refund of premium taxes paid on any unused returned premiums.

When insurers are ordered by the Department of Insurance to establish escrow accounts of possible premium overcharges, reductions in gross premiums are allowed after any refunds have been paid to insureds, not when the escrows are established.

An insurer may exclude the following in determining gross premiums from business done in this State:

- Premiums properly reported and properly allocated as being received from business done in some other nation, territory, state, or states.
- Premiums received from policies written in federal areas for persons in military service who pay premiums by assignment of service pay.
- Premiums received from policies or contracts issued in connection with the funding of a pension, annuity, or profit-sharing plan qualified or exempt under section 401, 403, 404, 408, 457, or 501 of the Internal Revenue Code as defined in G.S. 105-228.90.
- Premiums or considerations received from annuities, as defined in G.S. 58-7-15.
- Funds or considerations received in connection with funding agreements, as defined in G.S. 58-7-16.
- Medicaid or Medicare premiums, to the extent federal law prohibits their taxation.