INSURANCE PREMIUM TAXES

The domestic insurance tax was created in 1830 with a 4.0 percent property tax on dividends paid by insurance companies. In 1933, the tax was changed to the lesser of 0.2 percent on capital and surplus or 1.67 percent of gross premiums. The franchise tax rate on gross premiums was increased to 2.5 percent in 1971. The tax rate on surplus and capital was increased to 0.6 percent in 1981.

The foreign insurance premium tax was also created in 1830, with a 4.0 percent property tax on profits from premiums. In 1852, the value of gross premiums (rather than net profits from premiums) was subject to the tax. In 1888, a supplemental tax was levied on gross premiums, and when added to the property tax, it produced an effective tax rate of 2.5 percent on gross premiums. A direct 2.5 percent gross premiums tax was created in 1902.

Am. Sub. H.B. 215 (122nd General Assembly) made numerous changes to the domestic and foreign insurance taxes, including changes to the rates and bases of the two taxes. These changes were fully phased in by tax year 2003, at which time the two taxes share the same gross premium rate (1.4 percent). The bill also established a small insurer’s tax credit, along with a minimum tax of $250.

Taxpayers

The tax is paid by insurance companies organized under Ohio law (“domestic” insurance companies) and those not organized under Ohio law (“foreign” insurance companies based out of state).

Tax Base

The tax base for domestic and foreign insurance companies is the gross premiums covering risks in Ohio, less specified deductions.

Tax Rate

Domestic and foreign insurers are taxed at 1.4 percent of gross premiums. Foreign insurers are also subject to retaliatory provisions. However, health insurers are instead subject to a 1.0 percent rate. Fire insurance is subject to an additional 0.75 percent rate on gross premiums.
**INSURANCE PREMIUM TAXES**

**Significant Changes Enacted by the 133rd General Assembly**

Am. Sub. H.B. 166 (133rd General Assembly’s FY 2020-FY 2021 Biennial Operating Budget) modified the job retention tax credit. Additionally, this Act contained numerous tax simplification and corrections, such as renumbering Revised Code citations.

**Insurance Premium Tax Expenditure Estimates**

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. Data for these tax expenditures are obtained from the Ohio Department of Insurance and the Ohio Life and Health Guaranty Association. Additionally, certain business tax credits that are applicable to multiple taxes are reported in the tax where the majority of the revenue impact is realized. Please see sections for the **Individual Income Tax**, **Financial Institutions Tax**, and the **Commercial Activity Tax** for those estimates.

**NOTE:** See page 6 for descriptions of data source codes.

**A. Credits and deductions**

7.01 **Deduction for premiums received from qualified small business alliances**  
*R.C. 1731.07; originally enacted 1993, revised 1997.*

An insurer may deduct amounts received from underwriting a health care plan under the qualified small employer health care alliance program. The deduction is allowed on premiums or other charges received from, or on behalf of, an enrolled small employer and eligible employees and retirees covered by the health benefit plan.

<table>
<thead>
<tr>
<th><strong>Estimate:</strong></th>
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<td>$ 34.4</td>
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**Data Source Code:** B

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40 The job retention tax credit also affects the petroleum activity tax, the individual income tax (pass-through entities no claiming the credit against another tax), the financial institutions tax, and the commercial activity tax. The tax expenditure is displayed in the Commercial Activity Tax Section.
7.02  Credit for small insurers  
*R.C. 5725.98, 5729.031, 5729.98; originally enacted 1999.*

A foreign or domestic insurance company or insurance company group, with less than $75 million in premiums sold in all states by the company or group, may take a tax credit of up to a maximum of $200,000 against its foreign or domestic insurance premium tax liability.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
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<td>$ 1.6</td>
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Data Source Code:  B

7.03  Credit for loans or investments in certified rural business growth funds  
*R.C. 122.151, 122.152, 5725.98, 5729.98; originally enacted 2018.*

A non-refundable credit against the domestic and foreign insurance premium taxes are allowed for loans or investments into certified business growth funds.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
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Data Source Code:  B

B. Tax expenditures with revenue impact below $1 million

7.04  Ohio Life and Health Guaranty Association contribution credit  
*R.C. 3956.20, 5725.98, 5729.98; originally enacted 1989.*

Members of the Ohio Life and Health Guaranty Association make contributions to a fund used to pay Ohioans with insurance policies held by bankrupt insurance companies. Contributing taxpayers can use up to 20 percent of their total contributions as an insurance premium tax credit, with a five-year carry-forward provision.

(Dollars in millions)

<table>
<thead>
<tr>
<th>Estimate:</th>
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