

TO: All Licensed Insurers

FROM: Alabama Department of Insurance

RE: Revised Economic Development Credit Worksheet/Allocation Worksheet

The Alabama Department of Insurance has conducted an internal review of premium tax collections regarding the Economic Development Credits to ensure all licensed insurers comply with state laws and regulations. The Code of Alabama §27-4-3(a)(3)d states the tax imposed shall be reduced by the following credits for certain economic development activities pursued in the State of Alabama. Therefore, an insurer is entitled to the Alabama Insurance Office Facilities Credit and/or Alabama Real Property Investment Credit.

The Department revised calculations on the Economic Development Credit Worksheet, which is due to be filed beginning with the 2023 tax year, along with the annual premium tax statement, for premiums taxed at a rate less than 3.6% based on the applicable credit(s). When the company completes the Economic Development Credit Worksheet, the tax rate is populated on the annual premium tax statement. In addition, the Allocation Worksheet is required to document the allocation to each affiliate company.

The new changes insert data validation controls to:

- provide clear options to the taxpayer for reporting of Office Facilities and/or Real Property Investment in aggregated premiums and allocating gross credit to individual affiliates
- prevent any affiliate reporting a credit in excess of the 1% threshold for Office Facilities or Real Property Investment credits,
- limit the total Office Facilities Credits and Real Property Investment Credits taken by all affiliate companies to the gross office facilities credit and gross investment credit available, based on the aggregate of all affiliate companies Office Facilities and Real Property Investment.

IMPORTANT: The insurer and/or an affiliate of the insurer must provide the following supporting documentation to utilize the Economic Development Tax Credits to be attached with the annual tax statement due March 1 via OPTins:

- **Economic Development Credits Worksheet**
- **Economic Development Credits Allocation Worksheet**
- **Ledger of Full-time employees per office located in Alabama**
- **Ledger of Real Property Owned in Alabama**
- **Payment verification of Ad Valorem Taxes**
- **Property Tax Notice**

OPTins is already available to begin paying your Premium Tax filings. If you are already registered to use OPTins, no additional steps are required.

The steps to submit your tax filing are very simple and require no formal training. Easy to follow instructions are available at: <http://www.optins.org>. Once registered and set up, you will be able to log in, upload your filing forms and submit your payment online. No more paper checks – everything is electronic and tax forms along with the payment are received at the Alabama Department of Insurance immediately upon submission by the company or broker.

Using OPTins allows you to save time and ensure that both the forms and payment are received together and on time. Please visit www.optins.org and click on Getting Started to download the implementation paperwork labeled “All Other”. Once it is completed, submit the forms to optinsmktg@naic.org and a product specialist will work with you through your implementation. Once registered and set up, you will be able to log in, upload your filing forms and submit your payment online. Setup of a new account takes 7-10 business days. If you already use OPTins, you do not have to contact OPTins Marketing. Once you have an account in OPTins, you can file to all state accounts using our application.

The transaction fees associated with using OPTins is required by the NAIC. The applicable fees are broken down into three categories: Surplus Lines and Premium Tax.

- Surplus Lines: \$15; \$2.50 for zero filings.
- Premium Tax: \$15 flat fee for all filings.
- State Specific: \$15 flat fee for all filings.

OPTins will facilitate the amendment process. There are no additional transaction fees to submit amended forms and/or additional tax payments to the state.

If you have any additional questions regarding transaction fees, please contact the OPTins Marketing Team at optinsmktg@naic.org.

Attachment:

Bulletin: Premium Tax, Alabama Real Property Investment Credit 3.9.06

Questions or comments applicable to this email should be directed to:

Alabama Department of Insurance
Premium Tax Section
Accounting Division
Phone: 1-800-433-3966
Email: premiumtax@insurance.alabama.gov





BOB RILEY
GOVERNOR

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
201 MONROE STREET, SUITE 1700
POST OFFICE BOX 303351
MONTGOMERY, ALABAMA 36130-3351
TELEPHONE: (334) 269-3550
FACSIMILE: (334) 241-4192
INTERNET: www.aldoi.gov

WALTER A. BELL
COMMISSIONER
ASSISTANT COMMISSIONER
RAGAN INGRAM
DEPUTY COMMISSIONER
D. DAVID PARSONS
CHIEF EXAMINER
RICHARD L. FORD
STATE FIRE MARSHAL
RICHARD MONTGOMERY
GENERAL COUNSEL
REYN NORMAN
RECEIVER
DENISE B. AZAR
LICENSING MANAGER
JIMMY W. GUNN

BULLETIN

TO: All Property & Casualty Insurers Licensed in Alabama
FROM: Walter A. Bell, Commissioner 
SUBJECT: Premium Tax, Alabama Real Property Investment Credit
DATE: March 9, 2006

Two questions have arisen on multiple occasions regarding the Alabama Real Property Investment Credit property and casualty insurers may take against their premium tax liability on insurance written in this state as set forth in paragraph d. of subdivision (3) of subsection (a) of Section 27-4A-3, Code of Alabama 1975. The department's position in regard to these questions is as follows:

1. When calculating the Alabama Real Property Investment Credit an insurer may aggregate or combine the value of qualifying real property investments of all affiliated companies that meet the affiliation requirements set forth in Section 27-4A-3(a)(3)d.3.(i). The amount of the Alabama Real Property Investment Credit may then be calculated using this aggregated or combined real property investment value. The credit calculated using the aggregated or combined value may then be allocated or apportioned among the affiliated companies in any manner desired so long as the following two requirements are met.

- The amount allocated to any particular affiliate shall not exceed the statute's limitation of 1% of the amount of the premium written by that particular insurance company affiliate.
- The combined total of all credits taken by the various affiliated companies shall not exceed the total credit calculated using the aggregated real property investment values.

The Alabama Real Property Investment Credit is for one amount whether calculated individually or on an aggregated basis and it is this one amount that can be apportioned or allocated between or among the affiliated companies. Each affiliate may not take the full amount of the calculated credit as this would, in effect, impermissibly multiply the amount of the calculated credit by the number of affiliates.

2. Section 27-4A-3(a)(3)d.2.(i) limits the investment credit to real property owned by an insurer or an affiliate of the insurer. The term "affiliate" is defined as a "business entity wholly owned by the insurer subject to [the premium tax]" or any other insurance company and its wholly owned subsidiaries that are under common control and management. Ala. Code §27-4A-3(a)(3)d.3.(i) (Cum. Supp. 2004). Consequently, real estate owned by a partnership could qualify, but only if all the partners were wholly owned by the insurance company or any other insurance company and its wholly-owned subsidiaries that are under common control and management.

WAB/RN/bc