

Alabama Department of Insurance

Premium Tax Section

Instructions for Completion of

Economic Development Credits Worksheet

Alabama Insurance Offices Facilities Credit

The Code of Alabama, Section §27-4A-3(a)(3)d.1. provides that, for each office owned or leased by an insurer in the State of Alabama and used for insurance operations, an insurer shall be entitled to a credit against the tax imposed. The total **credit** allowable for Alabama insurance office facilities **shall not exceed one percent** of an insurer's Alabama Premiums taxable at the rate specified in the 'All Other Business' category on the annual premium tax statement.

In order to determine the maximum allowable Alabama insurance office facilities credit, the Company should complete, fully, the Economic Development Credits Worksheet published by the State of Alabama Department of Insurance as instructed below:

Note: Entries should only be made by the insurer in blue colored cells within the Economic Development Credits Worksheet.

Step 1: Election to Aggregate Premiums

Code of Alabama, Section §27-4A-3(a)(3)d.3(i) provides that an insurer having affiliates may elect to aggregate premiums and Alabama insurance office facilities for purposes of determining allowable credits. Once the total allowable credits have been determined, credits may be allocated to the insurer and its affiliates at the sole discretion of the insurer, subject to the specific credit limitations on a per insurance company basis.

If the insurer elects to aggregate for the purpose of determining the allowable Offices Facilities Credit, the insurer should **check the box** at the top of the Real Properties Investment Credit section.

Step 2: Determination of the Gross Office Facilities Credit

The insurer should enter the total number of offices **located within the State of Alabama and used for insurance operations**, by category of the number of full-time employees located in each office.

- a) If the Insurer elected to aggregate, the total number of offices included in the table should include offices owned or leased by the insurer and all affiliates used in insurance operations for each Total Employee Category. *In this case, each entity will report identical numbers of offices in each category.*

- b) If the insurer elects **NOT** to aggregate, each entity should report separately, by category, the number of offices it owns or leases and uses in insurance operations.

- c) The number of offices reported in each Total Employee Category should include ONLY offices owned or leased by the insurer within the State of Alabama and used in insurance operations.

Step 3: Determination of Gross and Allowable Offices Facilities Credit

Line 1a) – Upon entering data, as described above in Step 2, the worksheet will calculate the Gross Offices Facilities Credit and populate line 1a. If the aggregate checkbox is selected, this total will populate automatically on Line 1 of the Alabama Insurance Offices Facilities Credit Allocation Worksheet.

Line 1b) – If the insurer elects NOT to aggregate, line 1b will be populated automatically with the maximum allowable Offices Facilities Credit. If the insurer elects to aggregate, line 1b will be “greyed out” and the insurer will be required to enter line 1c, as follows.

Line 1c) – If the insurer elects to aggregate, line 1c should be populated with the Company’s allocable portion of the Gross Office Facilities Credit, as determined on the Economic Development Credits Allocation Worksheet. If an election NOT to aggregate has been made, line 1c will be “greyed out” and should report 0.0000%.

Alabama Real Property Investment Credit

Code of Alabama, Section §27-4A-3(a)(3)d.2. provides that, for each one million (\$1,000,000) in value of real property investments in the State of Alabama, an insurer shall be entitled to a **credit** of 0.10 percent, per 'All Other Business' reported on the annual premium tax statement. The total credit allowable **shall not exceed one percent** of an insurer’s Alabama premiums taxable at the rate specified for all other premiums (3.6 percent).

In order to determine the maximum allowable Alabama Real Property Investment Credit, the Company should complete, fully, the Alabama Real Property Investment Credits Worksheet published by the State of Alabama Department of Insurance as instructed below:

Note: Entries should only be made by the insurer in blue colored cells within the Economic Development Credits Worksheet.

Step 1: Election to Aggregate Premiums

Code of Alabama, Section §27-4A-3(a)(3)d.3(i) provides that an insurer having affiliates may elect to aggregate premiums and Alabama real property investments for purposes of determining allowable credits. Once the total allowable credits have been determined, credits may be allocated to the insurer and its affiliates, at the sole discretion of the insurer, subject to the specific credit limitations on a per insurance company basis.

If the insurer elects to aggregate for the purpose of determining the allowable Real Property Investment Credit, the insurer should **check the box** at the top of the Real Property Investment Credit section.

Step 2: Determination of the Gross Office Facilities Credit

Line 2) - The insurer should enter the total cost of qualifying Alabama Real Property Investments.

- a) Exclude the cost of any real property investments located outside the state of Alabama.
- b) Exclude the cost of any real property investments acquired or constructed prior to January 1, 1993.
- c) Report Alabama real property at historical cost, not fair market value or book value.
- d) Please note, unlike the Alabama Offices Facilities Credit discussed above, leased property does not qualify for the purpose of determining the Real Property Investment Credit.

Line 3a) - The insurer should enter the historical cost of renovations and improvements to existing Alabama real property investments completed and placed in service on or after January 1, 1993.

- a) Report renovations and improvements at historical cost, not book value or fair market value.

Line 3b) - The insurer should report the total principal payments on funds borrowed to finance property included on lines 2 and 3a and not used in insurance operations.

Line 4a) – The insurer should report the total gross funds borrowed to finance the acquisition, renovation or improvement of real property investments held within the State of Alabama and not used in insurance operations.

- a) Report the original loan amount, not the current balance. The principal paid to date is accounted for at line 3b.

Line 4b) – The insurer should include the total cost of real property investments owned and located within the State of Alabama, which is included on line 2 and used for insurance operations for which the Alabama Insurance Office Facilities Credit is allowed or allowable.

Note: If the insurer elects to aggregate, the amounts reported on lines 2 through 4b should include the sum of all affiliated entities. In this case, when completing the worksheets lines 2 through 4b will be identical for each affiliated entity. If the insurer elects NOT to aggregate, each affiliated entity will complete their respective worksheets with information about property owned by that entity only.

Line 5) – Line 5 will populate based on the information included on lines 2 through 4b above. The insurer should not attempt to populate this line.

Line 6) – Line 6 will calculate based upon the amount calculated on line 5. The insurer should not attempt to populate this line.

Line 7) – Line 7 will calculate based upon the amount calculated on line 6 and represents the Gross Real Estate Investment Credit. The insurer should not attempt to populate this line. This total will

be populated on Line 1 of the Alabama Real Property Investment Credit Allocation section, if the aggregate checkbox is selected.

Line 8) – Line 8 will calculate based upon the amount calculated on Line 7, if the insurer elected NOT to aggregate for purposes of determining the Real Property Investment Credit. If the insurer elected to aggregate, the cell for this line will be “greyed out”. *The insurer should not attempt to populate this line.*

Line 9) – If the insurer elects to aggregate, line 9 should be populated with the Company’s allocable portion of the Gross Investment Credit, as determined on the Economic Development Credits Allocation Worksheet. If an election NOT to aggregate has been made, line 9 will be “greyed out” and should not be populated.

Line 10) – Line 10 will automatically populate based on the calculations above and will represent the total allowable Alabama Offices Facilities and Real Property Investment Credits. *The insurer should not attempt to populate this line.*

Line 11) – Line 11 will automatically calculate and the result will represent the net effective premium tax rate to be reported at Line 3 of the insurers premium tax return.

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**

Alabama Department of Insurance

Premium Tax Section

Instructions for Completion of

Economic Development Credits Allocation Worksheet

Code of Alabama, Section §27-4A-3(a)(3)d.3(i) provides that an insurer having affiliates may elect to aggregate premiums and Alabama real property investments for purposes of determining allowable credits. Once the total allowable credits have been determined, credits may be allocated to the insurer and its affiliates at the sole discretion of the insurer subject to the specific credit limitations on a per insurance company basis. **If the insurer decides not to aggregate office facilities or real property investments, this worksheet does not need to be completed.**

Allocation for Purposes of the Offices Facilities Credit

If the insurer elects to aggregate for the purpose of determining the allowable Offices Facilities Credit, the insurer should check the box at the top of the Offices Facilities Credit section of the Economic Development Credits Worksheet and allocate the Gross Offices Facilities Credit as noted below.

Line 1) – Line 1 will populate the amount reported on line 1a of the of the Economic Development Credits worksheet.

Line 2) – The insurer should list itself and each affiliate included in the calculations of the Gross Offices Facilities Credit on lines 2a through 2t. The insurer should assign each entity, at the insurer’s discretion, a credit percentage ranging from 0% up to a maximum of 1% for each entity. The total of all assigned percentages should not exceed the Gross Offices Facilities Credit included on line 1.

Line 3) – Line 3 will calculate based on the percentages assigned on lines 2a through line 2t. This total should not exceed the amount reported on line 1.

Allocation for Purposes of the Real Property Investment Credit

If the insurer elects to aggregate for the purpose of determining the allowable Real Property Investment Credit, the insurer should check the box at the top of the Real Property Investment Credit section of the Economic Development Credits Worksheet and allocate the Gross Investment Credit as follows:

Line 1) – Line 1 will populate the amount reported on line 7 of the of the Economic Development Credits worksheet.

Line 2) – The insurer should list itself and each affiliate included in the calculations of the Gross Investment Credit on lines 2a through 2t. The insurer should assign each entity, at the insurer’s

discretion, a credit percentage ranging from 0% up to a maximum of 1% for the insured and each entity. The total of all assigned percentages should not exceed the Gross Investment Credit reported on line 7 of the Economic Development Credits worksheet.

Line 3) – Line 3 will calculate based on the allocation percentages assigned on lines 2a through line 2t. This total should not exceed the amount reported on line 1.

ECONOMIC DEVELOPMENT CREDITS WORKSHEET

ALABAMA INSURANCE OFFICES FACILITIES CREDIT

Check this box: If reporting Office Facilities in aggregated premiums and allocating gross credit to individual affiliates.

Code of Alabama, Section §27-4A-3(a)(3)d.1. For each office owned or leased by an insurer in the State of Alabama and used for insurance operations, an insurer shall be entitled to a credit against the tax imposed. The total credit allowable for Alabama insurance office facilities shall not exceed one percent of an insurer's Alabama Premiums taxable at the rate specified in the 'All Other Premiums' category on the annual premium tax statement.

Number of Full Time Employees Per Office Located in Alabama	No. of Offices in Alabama				Credit as Percentage Taxable Under All Other Premiums Category on Tax Form
1 to 3	500	x	0.0025%	=	0.0000%
4 to 10	200	x	0.0050%	=	0.0000%
11 to 50	10	x	0.0075%	=	0.0000%
51 or more	1	x	0.0100%	=	0.0000%
1a) Gross Office Facilities Credit **					0.0000%
1b) Tax Reduction Percentage (Maximum is 1%)					0.0000%
1c) Office Facilities Credit allocated to affiliate company (Maximum is 1%)***					0.0000%

ALABAMA REAL PROPERTY INVESTMENT CREDIT

Check this box: If reporting Real Property Investment in aggregated premiums and allocating gross credit to individual affiliates.

Code of Alabama, Section §27-4A-3(a)(3)d.2. For each one million (\$1,000,000) in value of real property investments in the State of Alabama, an insurer shall be entitled to a credit of 0.10 percent, per 'All Other Premiums' reported on the annual premium tax statement. The total credit allowable shall not exceed one percent of an insurer's Alabama premiums taxable at the rate specified for all other premiums (3.6 percent).

2) Cost of Real Estate Investments	
<i>(EXCLUDING MORTGAGE LOANS)*</i>	
3) PLUS:	
a) Any Capital Improvements	
b) Any Principal payments on funds borrowed to finance real property	
4) LESS:	
a) Funds borrowed to finance real property	
b) Properties used in the insurer's insurance operations and for which the Alabama insurance office facilities credit is allowed or allowable	
5) Total qualifying real estate investment	0
6) Divide Total on 5 by \$1,000,000 and round down to the nearest whole number	0
7) Gross Investment Credit. Multiply result on line 6 by 0.10% **	0.0000%
8) Tax Reduction Percentage (Maximum is 1%)	0.0000%
9) Investment Credit allocated to affiliate company (Maximum is 1%)***	0.0000%
 10) Add line 1b or 1c and line 8 or 9 and place result here	 0.0000%
11) Subtract line 10 from 3.6% and place result here and on line 3 of premium tax return	3.6000%

* **Line 2** The cost of real property owned in Alabama and used in part as an Alabama real property investment, and in part for the insurer's insurance operations shall be allocated on a square-foot basis so that the cost allocated to that portion of the property not used for insurance operations shall qualify for the Alabama real property investment credit.

** **Line 1a and 7** If credit will be calculated in aggregate, check box(s) and report figure(s) on line 1 of Allocation worksheet.

*** **Line 1c and 9** If calculating Office Facilities or Real Property Investment in aggregate, manually enter amount per Allocation worksheet. Amounts on line 1c and 9 should never exceed 1%

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

Economic Development Credit Allocation Worksheet

ALABAMA INSURANCE OFFICES FACILITIES CREDIT ALLOCATION

Code of Alabama, Section §27-4A-3(a)(3)d.3.(i). The allocation worksheet is required for companies that elect to calculate the Office Facilities credit in aggregate. This schedule will document the allocation of the aggregate credit to each affiliate company. **IMPORTANT: The Economic Development Credit Allocation Worksheet must be attached to each affiliate company annual premium tax statement.**

Name of Parent Company:	Contact Name and Phone Number:	Contact Email Address:

1) Gross Office Facilities credit: Enter amount reported on line 1a of the Economic Development Credit Worksheet 0.0000%

2) List Parent and Affiliate Companies within the group to receive an allocation of the credit. * (If allocation credit exceeds more than 10 companies, please use additional sheet below).

	Allocation %		Allocation %
a	0.0000%	k	
b	0.0000%	l	0.00%
c	0.0000%	m	0.00%
d	0.0000%	n	0.00%
e	0.0000%	o	0.00%
f	0.0000%	p	0.00%
g	0.0000%	q	0.00%
h	0.0000%	r	0.00%
i	0.0000%	s	0.00%
j	0.0000%	t	0.00%

***No one company shall receive an allocation exceeding 1%**

Note: Report affiliate credit allocation listed above on line 1c of the Economic Development Credit Worksheet

Total Allocation: (must not exceed the amount listed on line 1 above) 0.0000%

ALABAMA REAL PROPERTY INVESTMENT CREDIT ALLOCATION

Code of Alabama 1975 Section §27-4A-3(a)(3)d.3.(i). The allocation worksheet is required for companies that elect to calculate the Real Property Investment credit in aggregate. This schedule will document the allocation of the aggregate credit to each affiliate company. **IMPORTANT: The Economic Development Credit Allocation Worksheet must be attached to each affiliate company annual premium tax statement.**

Name of Parent Company:	Contact Name and Phone Number:	Contact Email Address:

1) Gross Investment credit: Enter amount reported on line 7 of the Economic Development Credit Worksheet 0.0000%

2) List Parent and Affiliate Companies within the group to receive an allocation of the credit. * (If allocation credit exceeds more than 10 companies, please use additional sheet below).

	Allocation %		Allocation %
a		k	
b		l	
c		m	
d		n	
e		o	
f		p	
g		q	
h		r	
i		s	
j		t	

*** No one company shall receive an allocation exceeding 1%**

Note: Report affiliate credit allocation listed above on line 9 of the Economic Development Credit Worksheet

Total Allocation: (must not exceed the amount listed on line 1 above) 0.0000%