



North Carolina Insurance Guaranty Association

January 27, 1994

CIRCULAR LETTER TO ALL MEMBER INSURERS

Re: Insurance Premium Tax Credits

Association Assessments

The purpose of this circular letter is to provide our member insurers with information regarding (1) the North Carolina Department of Insurance's position with respect to the provisions of G.S. 105-228.5A. relating to assessments paid by a member insurer which are subject to insurance premium tax credits; and (2) to provide member insurers with statements showing 1991 and 1992 assessments which will be required to be filed with the North Carolina Department of Insurance in order for an insurer to receive an insurance premium tax credit as provided for under G.S.105-228.5A.

G.S. 105-228.5A.(b) provides in part as follows:

"A member insurer who pays an assessment is allowed as a credit against the tax imposed under G.S. 105-228.5 an amount equal to twenty percent (20%) of the amount of the assessment in each of the five taxable years following the year in which the assessment was paid. .
."

During a year when a member insurer paid assessments and the Association did not declare a refund, the member insurer is entitled to an insurance premium tax credit determined on the basis of the gross assessments paid during the year.

With respect to the calculation of the amount of the assessments paid by a member insurer which are to be used to determine the insurance premium tax credit in a year when the Association has declared and credited one or more refunds, it is the Department of Insurance's position that only the net assessment amounts in the "automobile" insurance account and the "all other" insurance account (excluding workers compensation insurance) qualify for use in determining the amount of the insurance premium tax credit. However, the Department of Insurance has determined that if refunds of assessments paid prior to the enactment of the insurance premium tax credit provision exceed the assessments paid in any year in either the "automobile" insurance account or the "all other" insurance account, no adjustment to the insurance premium tax credit base is necessary.

Attached is a statement which shows the total amount of assessments paid by your Company during 1991 which qualify for an insurance premium tax credit. Attached also is a statement which shows (1) the total amount of assessments paid by your Company during 1992; (2) the total amount of refunds credited to your Company during 1992; and (3) the net amount of assessments which,

pursuant to the position taken by the North Carolina Department of Insurance with reference to this matter, qualify for an insurance premium tax credit.

It is our understanding that the attached statements will qualify as Certificates of Contribution referred to in the Department of Insurance's bulletin to member insurers dated December 30, 1993 concerning 1993 premium tax filings.

Please see to it that this circular letter is brought to the attention of your tax counsel and all other interested personnel in your Company.

Very truly yours,

John W. Watkins

Managing Secretary

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[Enclosure](#)

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