

# Insurance Premium Taxes

Missouri levies two separate taxes on insurance premiums. The oldest of these is the county foreign insurance tax, which became effective March 20, 1895. It is applicable only to insurance companies that are domiciled outside of Missouri. It also has the distinction of being the oldest continuous source of state revenue. This tax represents the third largest source of General Fund revenues. The original tax rate of 2 percent has never been modified.

The second tax is the equivalent counterpart for insurance companies which are domiciled in Missouri. It became effective January 1, 1932. The original tax rate of 2 percent of the value of net premiums received has also never been changed. The only exception to this rate is a special provision for Missouri mutual insurance companies, which pay a tax of only 1 percent on premiums.<sup>4</sup>

The deduction for health insurance plans became effective in 1972. This deduction was phased in over a four-year period with an additional 25 percent of such premium becoming exempt each year. The deduction for annuities became effective January 1, 1987.

The retaliatory provisions of this tax generate a

<b>Insurance Premium Tax by Calendar Year</b>			
<b>2006 Rank of portion of gross receipts: 5</b>			
<b>2006 Tax Rate: 2%</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Gross Receipts</b>			
<b>General Fund</b>	167.7	131.4	185.1
<b>Other</b>	0.0	0.0	0.0
<b>Tax Expenditures</b>			
<b>Exclusions</b>	107.4	109.1	127.6
<b>Deductions</b>	0.0	0.0	0.0
<b>Credits</b>	79.3	79.2	85.0
<i>Figures in millions of dollars</i>			

significant amount of money, \$21.2 million for the 2005 tax year. These charges are computed by calculating for each life or casualty company the difference between the total fees and premium tax that would be charged if the company was domiciled in Missouri to what they are charged in its state of residence.

<sup>4</sup> See note at end of Exhibit 19.

## Exhibit 19

### Derivation of Insurance Premium Tax Base

#### Part I: Life Insurance Companies

**Total Premiums**

*less*

**Deductions**

*equals*

**Net Premiums**

*equals*

**Tax Due Before Credits**

*less*

**Credits**

*equals*

**Net Tax Due**

- Dividends on accident and health
- Dividends paid in cash or left on deposit
- Dividends applied to pay renewal premiums
- Dividends applied to provide paid-up additions
- Retirement, profit-sharing or pension plans
- Health insurance benefits for employer groups or unions
- Exempt annuity considerations

- Multiplied by tax rate (2%)

- Missouri income tax
- Missouri franchise tax
- Examination fees
- Valuation fees
- Registration fees
- Neighborhood assistance credit
- Personal property tax credit
- Missouri life and health guaranty association credit
- New or expanded business credit
- Enterprise zone credit
- Health pool credit
- Low income housing credit
- Affordable housing credit
- Development & reserve credit
- Export finance credit
- Infrastructure development credit
- Seed capital credit
- Small business investment credit
- Youth opportunities credit
- Brownfield tax benefits credit
- Qualified research credit
- CAPCO investment credit
- Historic preservation credit
- Maternity home credit
- Domestic violence shelter credit
- Film production credit
- Rebuilding communities credit
- Missouri individual training account program credit
- Transportation development credit
- Dry fire hydrant credit
- Remediation tax credit
- Mature worker child care tax credit
- Rebuilding communities/neighborhood preservation act tax credit
- Bank franchise
- Agricultural product utilization contribution credit
- New generation cooperative incentive credit
- New enterprise creation credit
- Development tax credit
- Residential Treatment Center
- Pregnancy Resource Center
- Family Farm Credit

✓ - Tax expenditure

## Exhibit 19 (continued)

### Derivation of Insurance Premium Tax Base

#### Part II: Casualty Insurance Companies

<b>Total Premiums</b>	
<i>plus</i>	
<b>Finance, Service or Other Carrying Charges</b>	
<i>less</i>	
<b>Deductions</b>	<ul style="list-style-type: none"> <li>✓ Workers compensation premium</li> <li>✓ Dividends paid or credited</li> <li>✓ Health insurance benefits</li> </ul>
<i>equals</i>	<ul style="list-style-type: none"> <li>Multiplied by tax rate (2%)</li> </ul>
<b>Net Premiums</b>	
<i>equals</i>	
<b>Tax Due Before Credits</b>	
<i>less</i>	
<b>Credits</b>	<ul style="list-style-type: none"> <li>Missouri income tax</li> <li>Missouri franchise tax</li> <li>✓ Examination fees</li> <li>✓ Registration fees</li> <li>✓ Neighborhood assistance credit</li> <li>✓ Personal property tax credit</li> <li>✓ Missouri property &amp; casualty insurance guaranty association credit</li> <li>✓ Missouri life and health guaranty association credit</li> <li>Health pool credit</li> <li>✓ New or expanded business credit</li> <li>✓ Enterprise zone credit</li> <li>✓ Health pool credit</li> <li>✓ Low income housing credit</li> <li>✓ Affordable housing credit</li> <li>✓ Development &amp; reserve credit</li> <li>✓ Export finance credit</li> <li>✓ Infrastructure development credit</li> <li>✓ Seed capital credit</li> <li>✓ Small business investment credit</li> <li>✓ Youth opportunities credit</li> <li>✓ Brownfield tax benefits credit</li> <li>✓ Qualified research credit</li> <li>✓ CAPCO investment credit</li> <li>✓ Historic preservation credit</li> <li>✓ Maternity home credit</li> <li>✓ Domestic violence shelter credit</li> <li>✓ Film production credit</li> <li>✓ Rebuilding communities credit</li> <li>✓ Missouri individual training account program credit</li> <li>✓ Transportation development credit</li> <li>✓ Dry fire hydrant credit</li> <li>✓ Remediation tax credit</li> <li>✓ Mature worker child care tax credit</li> <li>✓ Rebuilding communities/neighborhood preservation act tax credit</li> <li>✓ Bank franchise</li> <li>✓ Agricultural product utilization contribution credit</li> <li>✓ New generation cooperative incentive credit</li> <li>✓ New enterprise creation credit</li> <li>✓ Development tax credit</li> <li>✓ Residential Treatment Center</li> <li>✓ Pregnancy Resource Center</li> <li>✓ Family Farm Credit</li> </ul>
<i>equals</i>	
<b>Net Tax Due</b>	

✓ - Tax expenditure

## Exhibit 19 (continued)

### Derivation of Insurance Premium Tax Base

#### Part III: Missouri Mutual Companies

**Total Premiums**  
*plus*  
**Finance, Service or  
Other Carrying Charges**

*less*

**Deductions**

*equals*

**Net Premiums**

*equals*

**Tax Due Before Credits**

*less*

**Credits**

*equals*

**Net Tax Due**

- Dividends paid or credited
- Exempt premiums (\$1,000,000)

- Multiplied by marginal tax rate\*

- Missouri income tax
- Missouri franchise tax
- Examination fees
- Registration fees
- Neighborhood assistance credit
- Personal property tax credit
- Missouri property and casualty insurance guaranty association credit
- New or expanded business credit
- Enterprise zone credit
- Health pool credit
- Low income housing credit
- Affordable housing credit
- Development & reserve credit
- Export finance credit
- Infrastructure development credit
- Seed capital credit
- Small business investment credit
- Youth opportunities credit
- Brownfield tax benefits credit
- Qualified research credit
- CAPCO investment credit
- Historic preservation credit
- Maternity home credit
- Domestic violence shelter credit
- Film production credit
- Rebuilding communities credit
- Missouri individual training account program credit
- Transportation development credit
- Dry fire hydrant credit
- Remediation tax credit
- Mature worker child care credit
- Rebuilding communities/neighborhood preservation act credit
- Bank franchise credit
- Agricultural product utilization contribution credit
- New generation cooperative incentive credit
- New enterprise creation credit
- Development tax credit
- Residential Treatment Center
- Pregnancy Resource Center
- Family Farm Credit

* <b>Net Premium</b>	<b>Marginal Tax Rate</b>
0-\$1,000,000	0
\$1,000,000 - \$5,000,000	1%
\$5,000,000 and over	2%

✓ - Tax expenditure

**Exhibit 20**  
**Insurance Premium Tax Expenditures**  
**2001-2011**

	2001	2002 <sup>R</sup>	2003 <sup>R</sup>	2004 <sup>R</sup>	2005 <sup>P</sup>	2006 <sup>F</sup>	2007 <sup>F</sup>	2008 <sup>F</sup>	2009 <sup>F</sup>	2010 <sup>F</sup>	2011 <sup>F</sup>
<b>Exclusions</b>											
A.01 Employer/Union Health Benefits	19.40	22.39	26.78	31.05	36.84	34.64	37.00	39.35	41.70	44.05	46.40
A.02 Retirement, Pensions & Profit Sharing	0.13	0.18	0.14	0.17	0.14	0.13	0.13	0.12	0.11	0.10	0.10
A.03 Exempt Annuities	62.19	70.27	76.01	76.26	72.20	92.83	101.63	110.44	119.24	128.04	136.85
<b>Missouri Credits</b>											
B.01 Missouri Income Tax	0.04	0.10	0.00	0.00	0.00	0.11	0.13	0.14	0.15	0.16	0.18
B.03 Examination Fees	2.40	3.20	2.88	1.84	1.87	3.17	3.27	3.37	3.47	3.57	3.67
B.04 Valuation Fees	0.02	0.02	0.02	0.02	0.01	0.01	0.01	*	*	*	*
B.05 Registration Fees	0.02	0.04	0.03	0.03	0.02	0.03	0.03	0.04	0.04	0.04	0.04
B.06 Personal Property Tax	3.27	3.42	2.96	2.47	2.25	3.57	3.67	3.77	3.87	3.97	4.07
B.07 Insurance Guaranty Credits	21.10	24.29	21.83	17.24	5.97	21.87	22.96	24.05	25.13	26.22	27.30
B.08 Neighborhood Assistance	0.03	0.01	0.05	*	0.02	0.17	0.18	0.20	0.21	0.23	0.24
B.09 Health Pool	1.42	2.45	1.59	3.69	5.49	3.38	3.59	3.79	4.00	4.21	4.42
B.10 Business Facility	0.45	*	0.00	0.00	0.00	0.11	0.10	0.08	0.07	0.05	0.04
B.11 Enterprise Zone	0.11	0.60	0.81	0.17	0.17	0.28	0.30	0.31	0.32	0.33	0.35
B.12 Low Income Housing	12.88	22.29	28.74	30.30	34.27	23.19	24.51	25.83	27.15	28.47	29.79
B.13 Affordable Housing	0.98	0.51	0.00	0.00	0.85	0.38	0.40	0.41	0.43	0.45	0.47
B.16 Infrastructure Development	0.87	*	0.03	0.00	0.00	-0.30	-0.38	-0.47	-0.55	-0.64	-0.72
B.17 Seed Capital	0.00	0.00	0.00	0.00	0.00	0.02	0.02	0.02	0.02	0.02	0.03
B.18 Small Business Investment	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.02
B.19 Youth Opportunities	0.01	0.02	0.02	0.06	0.05	0.04	0.04	0.05	0.05	0.05	0.05
B.21 Qualified Research	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.22 CAPCO Investment	13.57	13.11	13.56	13.60	13.59	14.51	15.29	16.07	16.84	17.62	18.40
B.23 Historic Preservation	9.50	7.95	11.72	11.71	11.64	12.54	13.68	14.82	15.95	17.09	18.23
B.24 Maternity Home	*	0.00	0.00	0.00	*	*	*	*	*	*	*
B.25 Domestic Violence Shelter	*	*	*	0.01	*	*	*	0.01	0.01	0.01	0.01
B.26 Film Production	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.27 Rebuilding Communities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.29 Transportation Development	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.34 Remediation Tax Credit	*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.35 Mature Worker Child Care	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B.36 Neighborhood Preservation	0.00	0.04	0.96	0.00	0.00	0.15	0.16	0.16	0.17	0.18	0.18
B.38 Agricultural Product Utilization Contribution	0.01	0.00	0.00	0.00	0.11	0.10	0.11	0.12	0.13	0.14	0.15
B.39 New Generation Cooperative Incentive	0.36	0.01	*	1.08	2.32	0.96	1.04	1.11	1.19	1.26	1.34
B.40 Development Tax Credit	0.00	0.00	0.00	0.95	0.53	0.28	0.29	0.31	0.32	0.34	0.35
B.41 New Enterprise Creation Credit	0.46	2.03	0.69	0.23	0.05	0.45	0.47	0.49	0.51	0.53	0.55

Figures in millions of dollars; \* = Not applicable; † = Less than \$5,000; F = Forecasted numbers; R = Revised; P = Preliminary numbers

## Exhibit 21 Missouri Insurance Premium Tax Receipts by Type

Calendar Year	Life		Retaliatory		Life Total	Premium Taxes Excluding Life		Retaliatory Taxes Excluding Life		Total Taxes Excluding Life	Total Premium Taxes	General Fund Premium Tax Receipts
	Premium Tax	NA	Retaliatory Tax	NA		Life	Excluding Life	Excluding Life	Excluding Life			
1974	NA	NA	NA	NA	16,559,317	NA	NA	NA	NA	16,382,020	32,941,337	31,121,000
1975	NA	NA	NA	NA	18,767,754	NA	NA	NA	NA	18,745,987	37,513,741	32,784,000
1976	16,037,951		2,652,486		18,690,436	21,401,592	962,692	962,692	962,692	22,364,285	41,054,721	36,529,000
1977	16,708,214		2,799,400		19,507,614	25,083,251	1,007,086	1,007,086	1,007,086	26,090,337	45,597,951	40,998,000
1978	18,074,011		3,139,050		21,213,061	27,584,564	1,093,886	1,093,886	1,093,886	28,678,450	49,891,511	47,198,000
1979	19,322,441		3,611,935		22,934,376	29,974,758	1,269,079	1,269,079	1,269,079	31,243,838	54,178,214	50,054,000
1980	18,960,163		3,921,375		22,881,538	30,717,877	2,208,419	2,208,419	2,208,419	32,926,296	55,807,834	60,210,000
1981	20,819,931		5,353,723		26,173,654	31,289,468	2,704,577	2,704,577	2,704,577	33,994,045	60,167,699	57,973,000
1982	22,587,564		4,595,407		27,182,971	32,464,343	2,493,536	2,493,536	2,493,536	34,957,880	62,140,851	56,631,000
1983	25,998,672		5,466,656		31,465,328	36,045,642	4,771,305	4,771,305	4,771,305	40,816,947	72,282,275	128,131,000
1984	29,270,677		5,179,455		34,450,132	39,790,501	4,726,139	4,726,139	4,726,139	44,757,893	79,208,025	81,207,000
1985	33,066,640		4,191,857		37,258,497	50,585,355	3,970,261	3,970,261	3,970,261	54,843,185	92,101,682	94,447,000
1986	37,684,512		5,327,624		43,012,136	60,308,155	3,723,480	3,723,480	3,723,480	64,295,017	107,307,153	107,554,000
1987	37,487,544		6,167,593		43,655,137	62,864,859	3,006,948	3,006,948	3,006,948	66,161,066	109,816,203	122,681,000
1988	39,642,045		6,200,293		45,842,338	60,718,538	2,967,406	2,967,406	2,967,406	63,969,075	109,811,413	120,225,000
1989	39,720,168		6,608,445		46,328,613	60,580,653	4,427,959	4,427,959	4,427,959	65,008,612	111,337,225	113,661,000
1990	43,429,025		6,516,612		49,945,637	62,951,130	5,676,804	5,676,804	5,676,804	68,627,934	118,573,571	115,548,000
1991	42,909,439		6,964,907		49,874,346	66,276,210	5,953,816	5,953,816	5,953,816	72,230,026	122,104,372	128,916,000
1992	43,889,836		9,220,589		53,110,425	68,902,747	7,397,542	7,397,542	7,397,542	76,300,289	129,410,714	128,902,000
1993	44,722,267		9,133,943		53,856,210	72,412,516	7,994,633	7,994,633	7,994,633	79,507,149	133,634,006	135,400,000
1994	47,620,035		8,681,705		56,301,740	78,109,550	15,934,131	15,934,131	15,934,131	94,043,681	150,346,421	146,294,000
1995	50,564,452		8,636,171		59,200,623	83,592,801	14,528,510	14,528,510	14,528,510	98,121,311	157,654,144	169,902,000
1996	47,008,625		8,613,869		55,622,494	89,278,081	10,130,789	10,130,789	10,130,789	99,408,870	155,031,364	166,312,000
1997	43,604,057		6,481,031		50,085,088	88,644,872	8,476,023	8,476,023	8,476,023	97,120,895	147,205,983	155,417,000
1998	41,232,158		6,847,802		48,079,960	88,587,688	6,456,878	6,456,878	6,456,878	95,044,566	143,124,526	145,801,929
1999	41,706,641		3,737,202		45,433,843	85,617,750	5,947,824	5,947,824	5,947,824	92,152,266	137,586,109	144,298,000
2000	48,567,858		4,270,099		52,787,957	83,249,249	11,848,041	11,848,041	11,848,041	95,522,441	148,310,398	140,420,000
2001	48,568,523		4,871,523		53,440,046	73,384,477	11,646,387	11,646,387	11,646,387	85,030,864	138,470,910	143,348,378
2002 <sup>R</sup>	49,030,993		5,138,777		54,169,770	75,478,266	7,944,542	7,944,542	7,944,542	83,422,808	137,592,578	164,449,803
2003 <sup>R</sup>	51,628,464		4,680,506		56,308,970	82,461,083	4,496,207	4,496,207	4,496,207	86,957,290	143,266,260	156,098,743
2004 <sup>R</sup>	53,398,376		5,423,029		58,821,405	90,133,301	9,230,252	9,230,252	9,230,252	99,363,553	158,184,958	169,152,622
2005	53,347,074		6,462,859		59,809,933	98,356,051	13,911,683	13,911,683	13,911,683	112,267,734	172,077,667	167,787,828

NA = Not available; R = Revised