



Premium Taxes and Fees



Domestic Insurers Privilege Tax

General Information

Insurers considered "Delaware domestic insurers" - insurance companies incorporated in the State of Delaware - are subject to an additional Domestic Insurers' Privilege Tax, as set forth in Title 18, Delaware Insurance Code, Section 703. This tax is separate from premium tax, though it is due and filed in conjunction with the annual premium tax filing, and must be included when calculating quarterly premium tax prepayments.

To determine the privilege tax amount, each domestic insurer must calculate its "Annual Gross Receipts" based on Net Premium Income plus Investment Income. The amount of privilege tax is then taken from a sliding scale (see Table below). Net premium income, for the purposes of this section, consists of gross direct premiums plus "all other considerations" which includes assumed reinsurance premiums. The instructions for Privilege Tax section of the Annual Premium Tax and Fees Report specify which figures from the company's Annual Statement are to be used in making the calculations.

DELAWARE DOMESTIC INSURERS' PRIVILEGE TAX (Taken from 18 Del. C., §703)

CREDITS: From the calculated Annual Gross Receipts, the domestic insurers may be eligible for one or more of the following credits applicable to the privilege tax amount:

- **Premium Volume:** Delaware domestic insurers who write 50% or more of their annual business on persons or property located within the state of Delaware are exempt from payment of the privilege tax for that calendar year pursuant to 18 Del. C., §703 (c).
- **Domestic Affiliates:** In the case of Domestic Insurers with one, two, or three Domestic Insurer Affiliates, only the Affiliate with the largest annual gross receipts as defined above shall be subject to the annual Privilege Tax imposed. Any affiliates exceeding the three in number shall each be subject to the annual Privilege Tax.
- **Employee Services Performed:** (a) For each \$100,000 of gross salaries, wages, and other compensation paid by the Domestic Insurer and its affiliates for employee services performed within Delaware, the Domestic Insurer shall be entitled to a credit of \$1,500 for such year, (b) For Domestic Insurers that do not maintain their principal offices in the State of Delaware, the

amount of tax due may not be reduced to less than \$15,000. NOTE: When taking this credit, a copy of Form W-3 or year-end payroll reports MUST be attached for verification.

IMPORTANT INFORMATION REGARDING COMPANY RE-DOMESTICATION

It is the Insurance Department's position that if a company is a Delaware domestic insurer for any part of the tax year, the insurer is subject to the full amount of privilege tax for that tax year as calculated according to 18 Del. C., §703. In addition, Delaware law does not provide for a prorata refund of privilege tax. This tax is an annual one based on the annual gross receipts of the prior year for domestic companies who are domesticated in Delaware on the first day of the current tax year and who remain domesticated for the whole or any part of the current tax year.

If Annual Gross Receipts Are:	The Annual Privilege Tax Shall Be:
Under \$1,000,000	EXEMPT
\$1,000,000 to \$5,000,000	\$10,000
\$5,000,001 to \$10,000,000	\$25,000
\$10,000,001 to \$20,000,000	\$45,000
\$20,000,001 to \$30,000,000	\$65,000
\$30,000,001 to \$40,000,000	\$85,000
Over \$40,000,000	\$95,000