

2018
North Carolina Gross Premiums Tax
Captive Insurance Company
Form IB-4A1 Instructions

General Information

All captive insurance companies as defined in G.S. 58-10-340 doing business in this State are subject to gross premiums tax pursuant to G.S. 105-228.4A. Every captive insurance company licensed to do business in North Carolina is considered to be doing business and is required to file a gross premiums tax return and pay gross premiums tax, regardless of whether premiums have been written, unless it is "inactive" pursuant to G.S. 58-10-490. If a captive insurance company holds an active license for any portion of a tax year, then it is required to file a gross premiums tax return and pay gross premiums tax. In the case of a branch captive insurance company, the tax is levied only on the branch business of the company.

The gross premiums tax return for captive insurance companies is due on or before March 15. The return covers activities during the immediately preceding calendar year. If a captive insurance company has a fiscal year-end, the return must include a schedule showing premiums for the calendar year. For example, a captive with a fiscal year ending July 31 would include activity for the period January 1 through July 31, and the period August 1 through December 31.

The premium amounts reported on the captive insurance company premiums tax form **must** agree with amounts reported in the financial report filed with the North Carolina Department of Insurance ("NCDOI"). A copy of the "Premiums Schedule" included in the financial report **must** be attached to the return when filed. Information on requirements for filing the annual financial report is available at www.nccaptives.com.

The information contained in these instructions is to be used as a guide in the preparation of the North Carolina gross premiums tax return and is not intended to cover all provisions of the law pertaining to captive insurance companies. For specific information on the formation of captive insurance companies in the State, refer to Chapter 58, Article 10, Part 9 of the General Statutes. For specific information on the taxation of captive insurance companies, refer to Chapter 105, Article 8B of the General Statutes.

Form IB-4A1 is to be filed by captive insurance companies filing as stand-alone captives. This form is **not** to be used by a protected cell captive insurance company or a group of captive insurance companies under common ownership and control filing as a consolidated group of captive insurance companies. Protected cell captive insurance companies must file Form IB-4A2. Consolidated groups must file Form IB-4A3. The forms are available on the Department's website.

Specific Instructions for Filing Form IB-4A1

Legal Name, Address, and Identification Numbers

Enter the legal name, mailing address, federal identification number/social security number, the National Association of Insurance Commissioners ("NAIC") number, if applicable, and the North Carolina Department of Insurance ("NCDOI") license number of the captive insurance company as they appear on the license issued by NCDOI on the appropriate lines. Enter the principal place of business in North Carolina and the date licensed to do business in North Carolina on the appropriate lines.

Type of Captive

Fill in the appropriate circle that describes the type of captive the entity is authorized to operate as.

Name of Contact Person

Enter the name of the person to contact for all matters pertaining to the tax return.

Legal Name of Captive Manager Firm

Enter the name and mailing address of the approved captive manager firm responsible for all financial reporting and tax matters.

Part 1. Computation of Tax on Direct Premiums

Direct premiums are premiums contracted for or collected on policies or contracts of insurance written by the company during the preceding calendar year. Gross direct premiums collected or contracted for is the Total Direct Premiums Written reported on the premiums information schedules in the annual financial reporting forms filed with the NCDOL. **All direct premiums written by a captive insurance company licensed in North Carolina are subject to tax in North Carolina.**

Line 1. Gross Direct Premiums Collected or Contracted For

All captive insurance companies, other than association captives, branch captives, and risk retention group captives, enter the "Total All Lines" amount in the "Direct Written" column of "Schedule 2 Premiums" from Form C-200, Captive Annual Report Form, filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Association captives and risk retention group captives, enter the amount from Line 35 (Totals) on the "Totals" line in the "Direct Business" column of the "Part 1B - Premiums Written" schedule from the "Underwriting and Investment Exhibit" of the National Association of Insurance Commissioners ("NAIC") Annual Report filed with NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Branch captives enter the amount of total direct premiums for business done in North Carolina from the audited financial statement filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Line 2a through Line 2c. Adjustments

Line 1 may be reduced by amounts paid to policyholders as return premiums and by dividends on unabsorbed premiums or premium deposits returned or credited to policyholders. Premiums attributed to multi-year policies or contracts must be prorated among the years covered by the policy or contract. For Lines 2a through 2c, follow the line instructions to calculate the adjustments to the direct premiums reported on Line 1. **A schedule showing calculations must be attached to the return.**

Part 2. Computation of Tax on Assumed Reinsurance Premiums

Assumed Reinsurance Premiums are total premiums written for reinsurance assumed from affiliates and non-affiliates during the preceding calendar year.

Line 5. Assumed Reinsurance Premiums

All captive insurance companies, other than association captives, branch captives, and risk retention group captives, enter the "Total All Lines" amount in the "Reinsurance Assumed" column of "Schedule 2 Premiums" from Form C-200, Captive Annual Report, filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Association captives and risk retention group captives, enter the sum of the amounts from Line 35 (Totals) on the "Totals" line in the "Reinsurance Assumed From Affiliates" column and the "Reinsurance Assumed From Non-Affiliates" column of the "Part 1B - Premiums Written" schedule from the "Underwriting and Investment Exhibit" of the NAIC annual report filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Branch captives enter the amount of total assumed reinsurance premiums for business done in North Carolina from the audited financial statement filed with the NCDOL. **Copies of appropriate financial reporting pages must be attached to the return.**

Line 6a and Line 6b. Adjustments

Allowable deductions are 1) premiums for risks or portions of risks that are subject to taxation on a direct basis under N.C. Gen. Stat. § 105-228.4A(e) and 2) premium amounts in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of one insurer by another insurer if the two insurers are under common control and the Commissioner of Insurance verifies that the transaction between the insurers is (1) part of a plan to discontinue the operations of one of the insurers, and (2) the intent of the insurers is to renew or maintain business with the captive insurance company. **A detailed schedule of deductions must be attached.**

Part 3. Total Amount Due with This Return

Line 9. Amount of Calculated Tax

Add Part 1, Line 4 and Part 2, Line 8.

Line 10. Total Premiums Tax

The minimum amount of premiums tax due before tax credits and applicable penalties and interest is \$5,000 and the maximum amount due is \$100,000. Compare the amount of calculated tax on Line 9 with the total premium tax thresholds listed on Line 10. If the amount is \$100,000 or greater, enter \$100,000. If the amount is \$5,000 or less enter \$5,000. Otherwise, enter the amount of Line 9.

Line 11. Tax Credits

Information on tax credits that can be claimed against captive insurance gross premiums tax can be accessed on the Department's website. Instructions for claiming credits and the forms (Form CD-425 and appropriate forms in the NC-478 series) to be completed and filed with the premiums tax return for captive insurance companies claiming credits against premiums tax are also available. **Failure to substantiate a tax credit may result in the disallowance of that credit.**

Line 13a and Line 13b. Penalties

Returns filed after the statutory due date are subject to a failure to file penalty of 5% of the tax for each month, or part of a month, the return is late (maximum 25% of the tax due). In addition, returns filed after the statutory due date are subject to a late payment penalty of 10% of the tax due.

Line 14. Interest

Interest is due on any tax not paid by the statutory due date. Interest accrues on tax not paid from the due date set by statute for payment of the tax until the tax is paid. Applicable interest rates are available on the Department's web site at www.dornrc.com/taxes/rate.html.

Line 15. Total Amount Due

Add Lines 12, 13a, 13b, and 14. **This is the total amount of tax, penalties, and interest due.** Make your check or money order payable to the North Carolina Department of Revenue. Payment of tax due must be in the form of U.S. currency from a domestic bank and included with the return. Returns and payments should be mailed to NC Department of Revenue, Insurance Premium Tax Unit, Post Office Box 25000, Raleigh, NC 27640-0300. Payment of taxes may be made electronically using ACH Debit or ACH Credit electronic funds transfer after receiving approval from the Department. For additional information, contact the Insurance Premium Tax Unit at 919-754-2600. Electronic filing of tax returns for captive insurance companies is not available.