

Bulletin No. 00-10

TO: All Insurers
RE: Estimated Premium Tax Filing
DATE: March 29, 2000

Some insurers have in the past substantially underpaid their quarterly premium tax for premiums written in Maryland. This has occurred because some insurers have mistakenly believed that estimated premium taxes are to be estimated quarterly. Under Maryland law, however, insurers are required to estimate their annual tax liability and pay 25% of the annual estimate each quarter.

In addition, some insurers have greatly underestimated their annual tax liability and have accordingly underpaid on a quarterly basis.

Maryland statutes impose substantial interest and penalties where premium taxes are not paid when due. It is this Administration's view that the underestimation of annual taxes, and the corresponding failure to pay 25% of the liability each quarter, constitutes a failure to pay taxes when due.

In order to avoid the imposition of penalties and interest, insurers must reasonably estimate their total tax liability for the coming year and pay 25% of that reasonable estimate each quarter. The Insurance Commissioner considers, as reasonable, any estimate that is at least:

- (a) 100% of premium taxes due for the prior year as shown on the prior year's Final Report; or
- (b) 90% of the amount of the current year tax liability.

If the estimated tax meets either of these tests and the insurer pays at least 25% of the total annual estimate each quarter, on April 15, June 15, September 15, December 15, no penalty or interest will be imposed. In the event an insurer's estimated annual tax does not meet either of these tests or if the insurer fails to pay the proper quarterly payment when due, the Administration will impose penalties and interest pursuant to MD. CODE ANN., Insurance § 6-108.

Insurers are directed to conform their April 15, 2000 tax filing to this Bulletin.

Steven B. Larsen
Insurance Commissioner