

Oregon 1999

Insurance Excise Tax

This booklet contains Form 20-INS, schedules and instructions.

See page 2 for filing requirements.

General information

This publication is a guide, not a complete statement of Oregon laws or Department of Revenue rules. For more information, refer to the laws and rules.

For tax years beginning on or after January 1, 1997, foreign insurers are subject to the retaliatory tax, transition tax and excise tax. For tax years after 2001, foreign insurers will no longer be subject to the transition tax. The retaliatory and transition taxes are paid to the Insurance Division of the Department of Consumer and Business Services. The excise tax is paid to the Department of Revenue.

All insurance companies (except title insurers), foreign and domestic, who are required to file an excise tax return (see filing requirements) now file Form 20-INS with the Department of Revenue.

Title insurers are also being shifted from the Oregon premium tax to the Oregon corporation excise tax, but file Form 20 instead of Form 20-INS. Title insurers begin with federal taxable income, make the same additions and subtractions that non-insurance corporations make and apportion using property, payroll, and double-weighted sales factors.

New information

Electronic funds transfer. On July 1, 1999, the department began accepting corporation estimated tax payments by electronic funds transfer (EFT). EFT reduces both the time and expense of processing payments and enhances accuracy. The chart below outlines when EFT becomes mandatory for your business.

Voluntary participation. If you don't meet the dollar amounts for mandatory participation in the EFT program, you may participate on a voluntary basis.

The dollar amounts shown in the chart are also mandated for combined payroll taxpayers. However, the beginning dates for corporation estimated tax payments occur one year later than those for combined payroll tax payments.

If your Oregon estimated corporation tax period begins—		And your annual estimated corporation tax payments will exceed—	You must make your Oregon estimated tax payments using EFT beginning—
On or After	But Before		
7/1/1999	7/1/2000	\$1,000,000	July 1, 1999
7/1/2000	7/1/2001	\$200,000	July 1, 2000
7/1/2001	7/1/2002	\$50,000	July 1, 2001

Beginning July 1, 2002, you must make your Oregon estimated tax payments by EFT if you are required to make your federal estimated tax payments by EFT.

We will mail booklets to taxpayers we believe will exceed the \$200,000 requirement for the mandatory participation that begins July 1, 2000. If you exceed the threshold or want to participate on a voluntary basis, call 503-947-2017 to register.

New Legislation

Reinsurance premiums. Retroactive to January 1, 1997, insurance companies may include (if permitted by the

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department) or the department may require the inclusion of reinsurance premiums in the insurance sales factor. See insurance sales factor, Schedule AP instructions, page 10.

Long-term care insurance credit. Beginning January 1, 2000, a credit will be available for employers who provide long-term care insurance on behalf of their Oregon employees. The maximum tax credit is 15 percent of the total amount of long-term care insurance premiums provided by the taxpayer, not to exceed \$500 per employee.

Minimum tax and filing requirements. Companies registered with the Insurance Division to do business in Oregon but not actually doing business during the tax year are no longer required to file an Oregon Form 20-INS and are not subject to the \$10 minimum tax. Companies having income from an Oregon source will continue to file.

Filing requirements

Insurance companies must file an Oregon corporation excise tax return if they are doing business in Oregon. Insurance companies with agents in this state whose only activity is solicitation are also subject to the corporation excise tax.

All insurance companies are required to file a return on a **calendar year basis**.

Exempt. Surplus lines insurance companies and fraternal benefit societies, if exempt under IRC 501(c)(8), are not subject to the excise tax.

Excise tax filers are subject to a **\$10 minimum tax**.

Consolidated returns

Foreign insurers and domestic insurers controlled by foreign insurers, are required to file corporation excise tax returns on a **separate basis**. An inter-insurance and reciprocal exchange and its attorney in fact may file consolidated returns. Domestic insurance companies not controlled by foreign insurers may file consolidated returns.

When is my return due?

Returns for the calendar year are due on or before April 15. When the 15th falls on a Saturday, Sunday, or a legal holiday, the due date is the next business day.

Oregon won't charge a late filing penalty if the return is filed by the Oregon due date, including extensions. But interest and a 5 percent late payment penalty are charged if the tax isn't paid by the due date.

Extension of time for filing

If you file a calendar year federal return and need more time to file both your federal and your Oregon returns:

- Oregon accepts the extension you have for your federal return.
- Please note on your federal extension form, the name, address and federal ID number of the corporation filing the Oregon corporation return so that any payments made with the extension will be correctly applied.
- Attach a copy of your federal extension to your Oregon return and mark the **“an extension is attached”** box.
- To avoid penalty and interest, mail any tax due on or before the original due date of your Oregon return. Attach your Oregon payment to a separate copy of your federal extension.

If you need an extension of time to file your **Oregon Form 20-INS only**, send us a federal extension form. Write “For Oregon Only” across the top and enter Oregon amounts. Include your payment. Mail the extension request to: Oregon Department of Revenue, PO Box 14777, Salem OR 97309-0960. We'll notify you only if your extension is denied. **More time to file doesn't mean more time to pay your tax!** Even if you have an extension, any tax due is payable on the original due date of the return. **Do not send a copy of Form 20-INS with your extension request.**

Include a copy of your extension with your return when you file. Attach the extension to the back of the Oregon return and schedules and check the **“an extension is attached”** box on Form 20-INS, page 1.

Include the amount you paid with your extension on Form 20-INS, line 35, when you file your return.

Federal and Insurance Division audit changes

If the IRS changes your federal return or the Insurance Division changes your premium tax for any tax year and the change affects your computation of Oregon excise tax, you must notify the Oregon Department of Revenue. File an amended Oregon return and attach a copy of the federal or Insurance Division audit report. Mail this separately from your current year's return to: Oregon Department of Revenue, PO Box 14777, Salem OR 97309-0960. If you don't amend, or send a copy of the federal report, the Oregon Department of Revenue has two years from the date the department is notified of the change by the IRS to issue a deficiency notice. You **must** file within two years after the date of the federal report to receive a refund.

Amended returns

If you amend your federal return or your annual statement and the change affects your computation of Oregon excise tax, you must file an amended Oregon return within 90 days. Attach a copy of the amended federal return to your amended Oregon return and explain the adjustments made. File an amended return using the appropriate form for the year of the original

return and check the box indicating **“this is an amended return.”**

On the line for prepayments, enter the net excise tax from the original return. Add or subtract prior tax adjustments to your original return.

Don't amend your Oregon return if you amend your federal return to carry a **net operating loss back** to

prior years. Oregon allows corporations to carry losses forward, but not back. See the instructions for line 21.

Pay all tax and interest due when you file an amended return or within 30 days after receiving a billing notice from the department. Otherwise, you may be charged the 5 percent late payment penalty.

Form 20-INS instructions

Heading

The department did not issue pre-printed address labels this year. Be sure to type or legibly print your corporation's name, address, and federal employer identification number.

Business identification number. Each corporation is now identified by a business identification number (BIN) assigned by the department. You may have already been assigned a BIN if payroll taxes, workers' compensation, or unemployment payments are made to the State of Oregon. If you do not have a BIN, one will be assigned when your return is received.

Questions

Answer questions A through K. Furnish additional information where necessary.

Foreign insurers and **domestic insurers** controlled by foreign insurers are not allowed to file consolidated returns and **should omit questions E and F.**

Question E(1). If the answer is YES, attach a list of the corporations included in your consolidated federal return.

Question E(2). If the answer is YES, attach a list of the corporations included in your consolidated Oregon return that either:

- Are “doing business” in Oregon;
- Have income from Oregon sources.

List each corporation's name, business identification number (if known), federal employer identification number and the date each affiliate became part of, or left, the unitary group on Schedule AF.

Question E(3). If the answer is YES, attach a list of corporations included in your consolidated federal return but not this Oregon return. List each corporation's name, business identification number (if any), and federal employer identification number.

Question F. If the box is checked, and you are filing a consolidated return, prepare a schedule with the information on Schedule AF or use a copy of Schedule AF—List of Affiliates, to list additional affiliates. Attach the copies directly behind the original Schedule AF.

Question G. A “high-income taxpayer” is one that had federal taxable income, before net operating loss and capital loss carryovers and carrybacks, of \$1,000,000 or more in any one of the last three tax years, not including the current year.

Line instructions

Fire, property and casualty companies will be identified as “P&C.” Life and accident and health companies will be identified as “life.”

The following instructions are for lines not fully explained on the form.

Income

Line 2. Income, expenses and other items attributable to separate accounts. From page 4, line 4B of the annual statement for life companies.

Line 5. Underwriting profit derived from wet marine and transportation insurance. From page IEE-5, lines 8 and 9, column 41, of the P&C annual statement.

Additions

Line 8. Federal income taxes. Add the amount of federal income taxes deducted in computing net income from operations. P&C companies use tax on ordinary income from page 4, line 15 of the annual statement, and life companies use page 4, line 30 of the annual statement. Also add the tax on capital gain that was netted out of the amount on page 4, line 32 of the annual statement for a life company. If a net refund of federal tax is shown on the annual statement (due to an excess of refund for a prior year over current year net tax), enter a negative figure.

Line 9. State income taxes (all jurisdictions). Include the amount of state income taxes included in the annual statement on page 12, exhibit 6, lines 3 and 4 for a life company, and page 12, line 18a for a P&C company.

Line 10. Penalty interest on prepayment of loans. Any amounts not already included in the annual statement on page 4, line 33 for life companies, and page 4, line 16 for P&C companies.

Line 11. Realized gains and losses. Add realized gains and losses on sales or exchanges of property that were

not included in net income from operations. Enter net realized losses as a negative amount.

Line 12. Decreases in reserves. These are changes that have not been included in the computation of net income from operations. Add **decreases in mandatory reserves** that the insurer is required to maintain by law or by rules or directives of the Director of the Department of Consumer and Business Services, **other than** decreases that (a) are deducted in arriving at the insurer's net gain from operations, or (b) result from net gains or losses, realized or unrealized, in the value of the insurer's property and investments. P&C companies use page 4, line 23 of the annual statement and life companies use page 4, line 40 of the annual statement.

Also add **decreases in reserves for policies and obligations outstanding** before the beginning of the taxable year resulting from changes in bases and methods of computing such reserves that are justified by accounting and actuarial practices applicable to or accepted by the insurance industry. Such practices are commonly known as "reserve strengthening" or "reserve weakening." Possibly included as write-ins on page 4, line 30 for P&C companies, or taken directly to surplus on page 4, line 39 for life companies.

Subtractions

Line 15. Amortization of past service credits. Subtract the amortized portion of contribution for past service credits made to qualified plans and exempt employee trusts. The subtraction is for amounts not deducted in the computation of net gain from operations in the annual statement. There is no explicit item in the annual statement, but it may be described in Note 6, page 20, for P&C companies, or Note 7, page 31, for life companies.

Line 16. Increases in reserves. Subtract increase in reserves described in the instructions for additions on line 12.

Line 17. Depreciation. Subtract, if you so elect for Oregon excise tax purposes, additional or accelerated depreciation on real and personal property that is in excess of the depreciation used in computing net gain from operations. You may elect to use any accelerated depreciation method allowable for federal corporation income tax purposes.

Line 21. Net loss deduction. A net loss is the aggregate amount of Oregon net losses computed on prior years' excise tax returns.

Oregon doesn't allow net losses to be carried back. Domestic Oregon insurers may carry net losses occurring in tax years starting on or after 1/1/87 forward, up to 15 years. Foreign insurers may carry net losses occurring in tax years starting on or after 1/1/97 forward, up to 15 years.

The total net loss deduction on a consolidated Oregon return is the sum of the net losses available to each of the corporations subject to the limitations in OAR 150-317.476(4).

If you are taxable both in Oregon and another state, don't complete line 21. Any net losses assigned to Oregon during the preceding taxable years (and not previously deducted) must be entered on Schedule AP-2, line 8.

Line 22. Oregon taxable income. If you are apportioning income to Oregon, enter the amount from Schedule AP-2, line 9.

Line 23. Excise tax. The tax is 6.6 percent of Oregon taxable income. The minimum tax is \$10. Only **one** \$10 minimum tax payment is required on a consolidated return.

Line 24. Tax adjustment for interest on certain installment sales. If you owe interest on deferred tax liabilities with respect to an installment obligation under ORS 314.302, indicate the amount on line 24. Attach a schedule showing how you figured the interest.

Credits

Credits against the excise tax must be claimed in the following order: other credits, workers' compensation credit and fire insurance premiums tax credit. These credits are subtracted from the excise tax. The remaining tax is then reduced by the Oregon Life and Health Insurance Guaranty Association (OLHIGA) offset and the Oregon Insurance Guaranty Association (OIGA) offset.

Line 26. Other credits. The following other credits are explained in *Tax Credits for Corporations* (150-102-694). See page 11 to order the circular.

- Bone marrow donation program credit.
- Business energy credit.
- Child development credit.
- Computer, scientific equipment, or research credit.
- Crop gleaning credit (form 150-101-240).
- Dependent care credit (form 150-102-032).
- Enterprise zone investment credit.
- Farmworker housing project investment credit.
- First Break program credit.
- Fish habitat improvement credit.
- Fish screening devices credit.
- Pollution control facility credit (form 150-102-029).
- Pollution prevention credit.
- Reclaimed plastics product credit.
- Reforestation credit.
- Research credit (form 150-102-128).

Line 27. Workers' compensation credit. Insurance companies that write workers' compensation insurance receive a credit against the excise tax. The credit is the lesser of the workers' compensation premium assessment

Continued on page 9 . . .

Some of the page number references in the instructions will appear to be inaccurate. The reason for this is that I removed the forms from this instruction booklet. Please use the numbers at the bottom of each page.

Webmaster

. . . continued from page 4

or the excise tax on the profit attributable to the workers' compensation line of business (ORS 317.122). For information on calculating this credit, see the information circular *Workers' Compensation Insurance Tax Credit* (150-102-618). See page 11 to order the circular.

Line 28. Fire insurance gross premiums tax credit. Insurance companies that write fire insurance premiums receive a credit against the excise tax for the tax paid to the Insurance Division. The credit is for the amount of tax paid to the Insurance Division based on fire insurance premiums paid during the tax year. Enter a credit on your 1999 Form 20-INS for the amount of tax shown on your 1999 State Fire Marshal tax return, Schedule G, line 2a, filed with the Insurance Division.

Lines 31 and 32. Guaranty association assessment offset. Credits can be claimed for the assessments paid to the Oregon Life and Health Insurance Guaranty Association (OLHIGA) and the Oregon Insurance Guaranty Association (OIGA). The assessments can be offset at a rate of 20 percent of the amount paid in each of the five calendar years following the year in which the assessment was paid. If the annual OIGA credit exceeds the excise tax, the excess can be offset to the Fire Insurance Gross Premium Tax. Any unused guarantee association assessment offset can be claimed against the transition tax due the Insurance Division of the Department of Consumer and Business Services. See ORS 734.575 and 734.835.

Line 38. Penalties. Include a penalty payment if you:

- Mail your tax due after the original due date (even if you have an extension).
- File your excise tax return showing tax due after the due date, including any extension.

Penalty is 5 percent of the unpaid balance of your tax.

If you get an extension, the penalty won't be charged if you:

- Pay at least 90 percent of the tax due on or before the original due date of the return, **and**
- Pay the balance of tax when you file within the extension period, **and**
- Pay any interest due either when the return is filed or within 30 days of billing by the department.

If you **file more than three months** after the original or extended due date, add an additional penalty of 20 percent of the unpaid tax. If you don't file returns for three consecutive years by the due date of the third year's return, including extensions, you must pay a 100 percent penalty on the tax liability for each tax year. Include any penalty due on Form 20-INS, line 38.

Line 39. Interest. If you don't pay the tax by the due date, interest will be charged on the unpaid tax.

The current interest rate is 9 percent annually, or .75 percent per month (.0247 percent per day). The interest rate may change once a calendar year.

Interest is figured daily for periods of less than a month. A month, for example, is May 16 to June 15. Here's how to figure daily interest:

$$\text{Tax} \times \text{Daily interest rate} \times \text{Number of days}$$

Interest accrues during an extension of time to file.

Additional interest on deficiencies and delinquencies. Interest will increase by one-third of 1 percent per month (4 percent yearly) on deficiencies or delinquencies if the following occurs:

- You file a return showing tax due, or the Department of Revenue has assessed an existing deficiency, **and**
- The assessment isn't paid within 60 days after the notice of assessment is issued.

Include interest for payment of tax after the original return due date on line 39.

Line 40. Interest on underpayment of estimated tax. You have an underpayment if you paid less than 100 percent of the tax due on each estimated tax payment due date. Interest on underpayment won't be imposed, however, if net excise tax after credits, line 34, is less than \$500 on your 1999 return. If you have an underpayment, you must file Form 37, "Underpayment of Estimated Taxes." **Attach Form 37 to your return and check the "Form 37 is attached" box.**

Use Form 37 to:

- Calculate the amount of underpayment of estimated tax.
- Compute the amount of interest you owe on the underpayment.
- Show you meet an exception to the payment of interest.

Include interest due from underpayment of estimated tax on line 40.

Line 42. Total due. Attach a check or money order to your return. Make your check or money order payable to "**Oregon Department of Revenue.**" Write your business identification number (if known) and "1999" on your check. Don't send cash or postdated checks.

Special instructions. Do you owe penalty and/or interest and have an overpayment on line 37? If your overpayment is less than total penalty and interest, fill in the result of line 41 minus line 37.

Schedule ES Instructions

Estimated tax paid for the 1999 tax year. Fill in the total estimated tax payments made before filing your Oregon return. Include any payments made with your extension. Also include any refund applied from your 1998 tax return or an Oregon amended return.

Consolidated return filers. Identify each estimated tax payment made to Oregon by each affiliate. Attach a schedule showing the name, federal identification number, Oregon business identification number (BIN), date of payment and the amount paid.

Schedule AP instructions

Schedule AP-1

Real estate income and interest factor

Real estate income. P&C companies use column 13 minus column 14 of Schedule A, Parts 1 and 3, on pages 23 and 25 of the annual statement. Life companies use column 13 minus column 14 of Schedule A, Parts 1 and 3, on pages 32 and 34 of the annual statement. If you have income from a joint venture, partnerships or LLCs include real estate income and interest included on Part 1 of the Underwriting and Investment Exhibit for P&C companies on page 6, column 3, line 6. Life companies use Part 1 of the Net Investment Income schedule on page 10, column 1, line 7.

Interest factor. P&C companies use line 3, column 3, from Part 1 of the schedule on page 6 of the annual statement. Life companies use Exhibit 2, line 3, column 1, on page 10 of the annual statement.

Wage and commission factor. Enter wage and commission amounts from the annual statement.

Insurance sales factor

P&C companies use total premiums written and Oregon premiums written from Schedule T, page 132 of the annual statement. Included in the apportionment factor for premiums are finance and service charges. Life companies also use Schedule T, page 93 of the annual statement for total premiums and for Oregon premiums. Insurance premiums include life insurance in column 3, annuity considerations in column 4 and accident and health insurance premiums in column 5.

ORS 317.660 provides that the insurance sales factor does not include reinsurance accepted and there is no deduction of reinsurance ceded. If the exclusion of reinsurance premiums results in an apportionment formula that does not fairly represent the extent of the insurance company's activity in Oregon, you may include reinsurance premiums in the insurance sales factor. You **must** request and receive permission from the Oregon Department of Revenue to include these premiums in the insurance factor before you file your return. Send your request to the Oregon Department of Revenue, 955 Center Street NE, Salem OR 97310-2501.

Line 5. Average percentage. Divide the sum of the real estate income and interest percentage, wage and commission percentage, and insurance sales percentage by 3 if you have all of these factors. Reduce the denominator of 3 by the number of factors with a zero denominator. Example: If you do not have any real estate income or interest, your real estate income and interest percentage would have a zero denominator and the sum of the factors would be divided by 2.

Schedule AP-2

Line 2. Minus: Gains from prior year installment sales included in line 1. OAR 150-314.615-(G) requires that installment gains be apportioned to Oregon using the average percent from the year of the sale rather than the year payment is received.

Line 6. Add: Gains from prior year installment sales apportioned to Oregon. Multiply the installment gains subtracted on line 2 by the average percent from the year of the sale.

Printed information order form



Printed information (free) State forms & publications only

Check individual boxes to order. Clip on the dotted line, then mail in the entire list with your return address. These forms and circulars are also available on the Internet. Our Internet address is: **www.dor.state.or.us**

- Authorization to Represent Taxpayer and/or Disclose Information 150-800-005
- Form 20ES, Estimated Tax coupons .. 150-102-022-2 and instructions 150-102-022
- Form 37, Underpayment of Estimated Taxes 150-102-037
- Information for Tax Exempt Organizations 150-102-617
- Lender's Credit 150-102-125
- Limited Liability Companies, Limited Liability Partnerships 150-102-613
- Political Organizations 150-102-663
- Pollution Control Facility Credit 150-102-029

- Research Credit 150-102-128
- Tax Credits for Corporations 150-102-694
- What To Do if You are Audited 150-101-607
- Workers' Compensation Insurance Tax Credit 150-102-618
- Your Rights as an Oregon Taxpayer 150-800-406
- List of other printed information: Forms/Publications Request 150-800-390

Send to: Forms
Oregon Department of Revenue
PO Box 14999
Salem OR 97309-0990

Please print

Your name _____

Address _____

City _____

State _____ ZIP _____

Notes



Oregon Department of Revenue
955 Center St NE
Salem OR 97310-2551

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Taxpayer assistance

Do you need help?

Phone: Salem **503-378-4988**

Toll-free within Oregon **1-800-356-4222**

For touch-tone phones, our telephone voice response system has recorded tax information about many of your Oregon tax questions. You also can order tax forms. This service is available 24 hours a day.

Representatives are available:

Monday–Friday* 7:30 A.M.–5:10 P.M.

*Except Wednesday 9 A.M.–5:10 P.M.

April 3–April 17, Monday–Friday 7 A.M.–7 P.M.

Closed on holidays

TTY (hearing or speech impaired only). **These numbers are answered by machine only and are not for voice use.** The toll-free number within Oregon is 1-800-886-7204. In Salem, the number is 503-945-8617.

Correspondence. Use the Salem address below. Include your business identification number (if known) and a daytime telephone number. Including both will allow us to help you faster.

¿Habla español? Línea de mensaje. Las personas que necesitan asistencia en español pueden dejar un mensaje. El número disponible todo el año en Salem es 503-945-8618.

A message line is available all year for those who need assistance in Spanish. The number in Salem is 503-945-8618.

To get forms

Internet **www.dor.state.or.us**

Or write to: **Forms, Oregon Department of Revenue, PO Box 14999, Salem OR 97309-0990.**

The office below provides forms and will answer questions. **Don't send your return to this address.**

Salem*
Revenue Building
First floor, Room 135
955 Center St NE
Salem OR 97310

*Office hours: 7:45 A.M.–5 P.M. Monday–Friday. Closed on holidays.

Americans with Disabilities Act (ADA). In compliance with the ADA, this information is available in alternative formats upon request by calling 503-378-4988.

