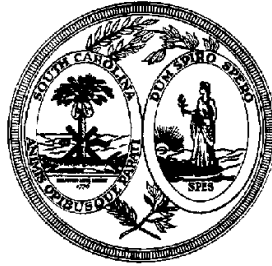


# SOUTH CAROLINA DEPARTMENT OF INSURANCE



## 2006 INSTRUCTIONS

### CAPTIVE TAX RETURNS

#### READ CAREFULLY – IMPORTANT INFORMATION

**Users of Computer Software Applications for tax preparation must be sure that the company code, the state of domicile, the company name and annual renewal fee appear on the tax form. Failure to enter all of the required information may result in an incomplete filing and subject to penalties.**

1. **Captive Insurers** – In order to provide sufficient detail to support the Premium Tax Return, the captive insurance company must attach a copy of pages 4 and 7 from their annual report. If licensed as a Captive Risk Retention Group, must attach a copy of Schedule T and the South Carolina Business Page 20 from the annual statement. Round taxes to the nearest dollar.
2. Round premiums to the nearest dollar.
3. Tax return must be typed.
4. Submit one check only per company payable to the South Carolina Department of Insurance. Sign, notarize, and provide name and telephone number/extension (**toll free where possible**) and e-mail address, if applicable, of person preparing tax return. **Please print name below signature.**

Annual tax returns are due in this Department on or before March 1, 2007. **(Date stamped by this Department not postage date.) Tax returns received by this Department without all required attachments and information will be rejected. Resubmitted tax returns received after the due date will be considered late.**

Compliance with South Carolina requirements is the Company's responsibility. **Failure to comply could result in an administrative fine of up to \$30,000.** Your attention is directed to S.C. Code Ann. §§ 38-90-140 (D) (2002), 38-2-10 (2002) and 38-5-130 (2002).

**Schedule 01 – South Carolina Fees and Taxes (Captive Insurers)**

1. The **Annual** Renewal Fee of \$500.00 on Schedule 01 Line 0101 has been printed on the form. Refer to S.C. Code Ann. § 38-90-20 (D) (2002) and 38-90-440(G)(2), 2006 Act 332.
2. Enter South Carolina taxes due in Schedule 01 line 0104. **(based on total global premiums all states and countries) Line 0102 + Line 0103 or \$5,000 whichever is greater. For captive insurance companies licensed during 2006 pursuant to Article 1 of Chapter 90:** In the calendar year in which a captive is first licensed, if the aggregate taxes to be paid by a captive insurance company amount to less than the minimum tax calculated, the captive insurance company shall pay the prorated minimum tax for that year. Captive Insurers licensed in the first quarter \$5,000, second quarter \$3,750, third quarter \$2,500 and fourth quarter \$1,250. After the first year Captive Insurers pay minimum tax of \$5,000. This Schedule is a recapitulation of the other Schedules on the Return. Refer to S.C. Code Ann. §38-90-140(C).
3. **Special Purpose Financial Captives (SPFCs) only** enter on Line 0106 the Annual Review Fee of \$2400 or, if higher, the actual cost. Refer to §38-90-440(G)(3), 2006 Act 332.
4. The figure in Line 0199 is the amount you should remit for payment.

**Schedule 02 – Assumed Reinsurance Premium (To Nearest Dollar)**

If line 0201:                   is \$20 million or less, multiply line 0201 by .00225.  
  is over \$20 million but not more than \$40 million, line 0202 is \$45,000 plus .0015 times excess of \$20 million.  
  is over \$40 million but not more than \$60 million, line 0202 is \$75,000 plus .0005 times excess of \$40 million.  
  is over \$60 million, line 0202 is \$85,000 plus .00025 times excess of \$60 million.

\$100,000 is the maximum total tax payable to the SC DOI in a particular tax year on all assumed premiums. See Note 1 below.

**For captive insurance companies licensed pursuant to Article 1:** No reinsurance premium tax is payable in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer or other funding mechanism under common ownership and control if the transaction is part of a plan to discontinue the operations related to the loss reserves and other liabilities being assumed of that insurer or funding mechanism and if the parties intend to renew or maintain such business with the captive insurance company.

**For SPFCs, licensed pursuant to Article 3:** No reinsurance premium tax is payable in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control if the transaction is part of a plan to discontinue the operations of that insurer and if the parties intend to renew or maintain such business with the captive insurance company.

**Schedule 03 – Exhibit of Premiums and Dividends (To Nearest Dollar)**

If line 0301 Col C:                   is \$20 million or less, multiply line 0301 by .004.  
  is over \$20 million, line 0302 is \$80,000 plus .003 times excess of \$20 million.

\$100,000 is the maximum total tax payable to the SC DOI in a particular tax year on all direct premiums. See Note 1 below.

**Notes:**

1. \$100,000 is the maximum, total, combined tax payable to the SC DOI in a particular tax year on all premiums, direct and assumed, for captive insurance companies licensed pursuant to Article 1 of Chapter 90. Refer to §38-90-140(C)(4), 2006 Act 332.

2. Two or more captive insurance companies under common ownership and control must be taxed as separate captive insurance companies. Refer to §38-90-140(E), 2006 Act 332 and §38-90-580 (2005).

\*\* Refer any questions on premium taxes to Mary Sturkie at [msturkie@doi.sc.gov](mailto:msturkie@doi.sc.gov) or (803) 737-6082. \*\*