

Annual Report Checklist

Check to make sure you received each of the following to file your annual report properly and completely:

- RCT-121 A, B or C, Gross Premium Tax Report for Insurance Companies, Associations or Exchanges (Including retaliatory schedules)
- RCT-121-I, Instructions for RCT-121 A, B or C
- REV-422, Estimated Payment Coupon
- REV-424 or REV-425, Extension to File Coupon

NEW FOR 2010

The PIGA Calculation Worksheet has been removed. The last year in which the Pennsylvania Property and Casualty Insurance Guaranty Association billed member insurers was 2004. The credits from this billing would have been available to be used by the member insurers in tax years 2005 to 2009. No credit is available for 2010.

Imposition, Base and Rate

Gross premium tax is imposed on insurance companies at a rate of 2 percent of gross premiums received from business done in Pennsylvania. The tax applies to premiums, premium deposits, and assessments received by insurance companies from business on risks or objects of insurance coverage located in Pennsylvania.

For more information, see the Act of March 4, 1971 (P.L. 6, No.2).

Extraordinary medical benefit premiums for coverage under 75 Pa.C. S. §1715(a)(1.1) are not subject to the tax (See 75 Pa.C.S. §1798.1(c)).

The following may be deducted from taxable premiums:

- Amounts returned on policies cancelled or not taken
- Premiums received for reinsurance
- The portion of advanced premiums, premium deposits or assessments returned in cash or credited to members or policyholders upon the expiration or termination of their contracts (in the case of mutual insurance companies, associations exchanges and stock companies with participating features)
- Notes and other obligations received by mutual insurance companies to secure contingent premium liabilities to the extent that no assessment has been made and collected against the notes or obligations.

Companies exempt from the tax include title insurance companies subject to the title insurance and trust companies shares tax; purely mutual beneficial associations whose funds for the benefit of members and families or heirs are made up entirely of the contributions from their members and the accumulated interest on those contributions; corporations organized under the Nonprofit Hospital Plan Act of 1937 (Act of June 21, 1937, (P.L. 1948, No.378)); and corporations organized under the Nonprofit Medical, Osteopathic, Dental and Podiatry Service Corporation Act of 1939 (Act of June 27, 1939, (P.L. 1125, No.399) Act of 1937 (Act of June 21, 1937, (P.L. 1948, No. 378))); and corporations organized under the Nonprofit Medical, Osteopathic, Dental and Podiatry Service Corporation Act of 1939 (Act of June 27, 1939, (P.L. 1125, No.399)).

Filing Guidelines

RCT-121 features three versions:

- RCT-121 A is for insurance companies reporting premiums on domestic casualty, fire or life insurance.
- RCT-121 B is for insurance companies reporting premiums on foreign life or title insurance.
- RCT-121 C is for insurance companies reporting premiums on foreign casualty or fire insurance.

Tax Credits

The following credits are available against gross premiums tax:

- Neighborhood Assistance Credit
- Educational Improvement Tax Credit
- Employment Incentive Payment Credit
- PA Life and Health Insurance Guaranty Association Credit
- PA Property and Casualty Insurance Guaranty Association (PIGA) Credit
- Research Enhancement and Protection Tax Credit

Check the appropriate box on the front of the report if the company is claiming a credit.

Employment Incentive Payment Credits are not posted to the account prior to assessment, so the account review statement will reflect a debit balance until the credit is approved. Schedule W must be attached to claim this credit.

To claim a credit for a PA Life and Health Insurance Guaranty Association Assessment, submit a copy of the Assessment Invoice Certificate of Contribution for the first year the credit is claimed. Submit all pages. Include a copy of the Pennsylvania Business Page, Schedule T for the year immediately preceding the year of the assessment and a schedule of all credits claimed for each type of assessment (i.e. life insurance, accident and health insurance annuity). Note this credit is only allowed for policies that guarantee premium rates without increase.

Retaliatory Information Schedule

Retaliatory fees are imposed on foreign insurance companies under Section 212 of the Insurance Company Law of 1921 (P.L. 682, No. 284). Such fees are reported and remitted to the Department of Revenue.

Foreign insurance companies must complete the Retaliatory Information Schedule on Page 2 of RCT-121, furnishing sufficient detail to enable the Department of Revenue to calculate the retaliatory fee. For each premiums-based tax, show the tax rate and all items used in determining the taxable amount, including gross premiums, return premiums and dividends to policyholders. Include reinsurance assumed from unlicensed insurers if your state of domicile imposes a base tax on net direct premiums plus reinsurance assumed from unlicensed insurers.

Any retaliatory fee in excess of the amount submitted and due with the filing of the return is due when the debtor receives a copy of the assessment. If your state of incorporation imposes a franchise or income tax, submit a copy of the tax return as filed in your state, along with a copy of the tax return on which Pennsylvania totals are substituted for your state totals. Please submit this information to Pennsylvania within 30 days of filing in your state.

Payment for renewal of certificate of authority and filing fees should be made using a separate check only after a bill is received from the PA Insurance Department.

Include with the Retaliatory Information Schedule a copy of the Pennsylvania Business Page, Schedule T filed with the PA Insurance Department and all supporting documentation.

Amended Report

Check this box if you are filing an amended report to add, delete or adjust information. Provide documentation to support all changes being made. An amended report should only be filed if an original report was filed previously for the same period.

The department may adjust the tax originally reported based on information from the amended report. The department will not make a tax adjustment three years beyond the receipt date of the original report unless the taxpayer consents to extending the assessment period.

When filing an amended report, record the amended tax liability on Page 1, Column A.

EIP Credit

Check this box if the corporate taxpayer is claiming the Employer Incentive Payment Credit.

Report Due Date, Payments and Mailing Addresses

This report is due on or before April 15 for the preceding year ended Dec. 31. If April 15 falls on a Saturday, Sunday or holiday, the report is due the next business day. A penalty for late filing will be imposed as follows and assessed at the time of filing: 10 percent of the first \$1,000 of tax liability, 5 percent of the next \$4,000 of tax liability and 1 percent on any tax liability in excess of \$5,000.

Payments of \$20,000 or more must be remitted electronically. For more information on electronic filing options, visit www.etides.state.pa.us. Payments under \$20,000 may be remitted by mail, made payable to the PA Department of Revenue.

Mail RCT-121 – with remittance, if applicable – to the following address, using the envelope provided (E-140):

PA DEPARTMENT OF REVENUE
PO BOX 280407
HARRISBURG, PA 17128-0407

Due Date Extension Request

To request a due date extension of up to 60 days to file the annual report you must file an extension request coupon by the original report due date. However, an extension of time to file does not extend the deadline for payment of tax, and an extension request must be accompanied by payment of taxes owed for the taxable year for which the extension is requested. Mail the extension coupon separately from all other forms, using the enclosed return envelope (E-203).

Taxpayers using an electronic method to make payment with an extension request should not submit the extension coupon.

Current Period Overpayment Instructions

If the remittance column is less than zero on Page 1 of your completed RCT-121, an overpayment exists and you should instruct the department how to transfer and/or refund the overpayment. Select only one option in the "Overpayment Instructions" area of Page 1. If no option is selected, any overpayment will automatically be credited to the next tax period.

- A. Overpayment is transferred automatically to offset other underpaid taxes in the current tax period, and any remaining credit is then applied to the next tax period for estimated tax purposes.
- B. Prior to issuing a refund, the department will apply overpayment to unpaid tax in the current tax period. The department may also offset other unpaid liabilities or commonwealth obligations for the account.

Estimated Payment Instructions

The estimated tax payment for 2011 is due in total by March 15, 2011. All late payments and untimely transfers will be subject to interest charges.

All accounts are expected to remit estimated prepayments toward the final liability a corporation estimates is due for the taxable year. Pre-payment for gross premiums tax is due March 15 of the reported year. Tax remaining due at the close of the taxable year must be paid on or before April 15th of the following year.

Should a corporation realize estimated tax is underpaid, additional payments should be submitted to minimize underpayment penalty. Underpayment is measured against 90 percent of the tax reported due for the taxable year. However, if the final total tax increases the self-reported tax by 10 percent or more, the underpayment will be measured against 90 percent of the final total tax. The period of underpayment is measured from the due date of the installment to the date the underpayment is paid or the date the safe harbor is satisfied.

A corporation may avoid interest charges by timely paying estimated tax equal to the liability in the second-prior taxable year (safe harbor). This amount must be adjusted to reflect the tax rate and law for the estimated tax year and must reflect the total liability if it exceeds the self-reported liability by 10 percent or more. Where the second-prior year is a short period, the safe harbor is annualized. Second year corporations may use the immediate prior year (annualized if necessary) as the base year for the safe harbor.

Mail the estimated payment coupon separately from all other forms, using the enclosed return envelope (E-203).

Requests For Refund Or Transfer of Available Credit

Requests for refund or transfer of available credit from prior periods or from the current non reported tax period can be faxed on company letterhead, signed by an authorized representative, to 717-705-6227.

Requests can also be submitted in writing to the following address:

PA DEPARTMENT OF REVENUE
PO BOX 280701
HARRISBURG, PA 17128-0701

Please do not duplicate requests for refund and/or transfer by submitting both RCT-121 and written correspondence.

CONTACT INFORMATION

- To make electronic payments and file extensions electronically, visit e-TIDES at www.etides.state.pa.us. For additional information and assistance with electronic payment and filing options, call 717-783-6277.
- If you have general business tax questions, call 717-787-1064.
- To confirm account payments, call 1-888-PATAXES.
- If you have questions regarding payments or refunds, call the Accounting Division at 717-705-6225.
- Requests for transfer of credit may be faxed to the Accounting Division at 717-705-6227.
- If you have questions regarding tax settlements, assessments or filing requirements, call the Specialty Tax Unit at 717-783-6031.



**ESTIMATED PAYMENTS AND EXTENSIONS TO FILE THE RCT-121A,
B & C CAN BE FILED ONLINE AT WWW.ETIDES.STATE.PA.US**