

CORPORATION TAX BULLETIN 2018-01

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CREDITS AGAINST THE GROSS PREMIUMS TAX LIABILITY UNDER THE PROVISIONS OF THE PENNSYLVANIA LIFE AND HEALTH INSURANCE GUARANTEE ASSOCIATION ACT OF 1992

Article XVII of The Insurance Company Law of 1921 (40 P.S. §§ 991.1701 – 991.1718) provides for the establishment of the Pennsylvania Life and Health Insurance Guaranty Association to protect against the failure of the contractual obligations of member insurers. The Association is composed of all insurers licensed to sell life insurance, health and accident insurance, and individual annuities in Pennsylvania.

To provide this protection, the Association is granted the authority to assess member insurers for the purpose of satisfying the contractual obligations of impaired or insolvent member insurers. Separate assessments are issued for life insurance, accident and health insurance, and annuities. The law further provides for member insurers to receive a Pennsylvania insurance premiums tax credit for a proportionate part of the assessment paid to the Association for life insurance, accident and health insurance, and annuities. The maximum credit which may be claimed for each type of assessment is 20% of the assessment for each of the five calendar years following the year in which the assessment was paid. The proportionate part of an assessment which may be claimed as a credit for each type of premiums assessed is determined by a fraction consisting of:

Numerator: That portion of the premiums received for life insurance, health and accident insurance or annuities during the calendar year immediately preceding the year in which the assessment is paid. The numerator for premiums received from life insurance or health and accident insurance is limited to premiums received from policies in which the premium rates are guaranteed during the continuance of the policy without a right exercisable by the company to increase the premium rates.

Denominator: The total Pennsylvania premiums received by the company during the calendar year immediately preceding the year in which the assessment is paid.

The above fraction must be determined for each type of assessment (i.e. life insurance, accident and health insurance, and annuities). Class A Administrative Assessments are allowable and can be claimed at 20% per year over the five years following the year in which the assessment is paid.

The PLHIGA Calculation Worksheet (Schedule of Guaranteed Premiums and PLHIGA Credit Calculation) **must** be completed. Failure to complete the worksheet will result in the denial of

the credit. A copy of the assessment summary, assessment detail and cancelled check paying the assessment **must** be attached to the Pennsylvania Gross Premiums Tax Report (RCT-121 A-B-C) for which a credit is claimed against the Gross Premiums Tax liability on account of offsets. For further instructions, refer to the Instruction Manual for RCT-121 A, B or C on the Department of Revenue website www.revenue.pa.gov.

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