

TITLE INSURANCE TAX RETURN

CDI FS-003 (REV 12/2002)

FOR CALENDAR YEAR 2002**PAYMENT, MAILING AND FILING INSTRUCTIONS**

Due Date: File one (1) original and two (2) photocopies of this return with the California Department of Insurance on or before April 1, 2003.

Groups: Prepare a separate tax return and check for each member company.

Payments: If paying by check, make the check payable to CONTROLLER - STATE OF CALIFORNIA.

Those required to pay or have voluntarily elected to pay by Electronic Funds Transfer (EFT) must use the EFT method of payment.

Pursuant to the California Insurance Code Section 12976.5, and the California Tax on Insurers, Revenue and Taxation Code 12602, on and after January 1, 1995, each insurer whose annual taxes exceed twenty thousand dollars (\$20,000) is required to participate in the Electronic Funds Transfer (EFT) Program. To register as an EFT taxpayer, contact the California Department of Insurance, Tax Accounting/EFT Unit at (916) 492-3288 or e-mail at EFT@insurance.ca.gov.

Every insurer whose annual tax liability for the preceding calendar year was five thousand dollars (\$5,000) or more is required to make quarterly prepayments and submit quarterly tax payment vouchers to the current calendar year.

**Mail to
a or b:**

- a) If the 2002 Tax Due, 2003 1st Quarter Prepayment, and/or the 2002 Retaliatory Tax Due were paid by **CHECK**, then mail the Premium Tax Return, the tax payment voucher, and the CHECK to:
- OR** b) If the 2002 Tax Due, 2003 1st Quarter Prepayment, and/or the 2002 Retaliatory Tax Due were paid by **EFT**, or if there is **ZERO** (-0-) balance due, or If there is a **Tax Refund Due**, then mail the Premium Tax Return and the tax payment voucher to:

State of California
Department of Insurance
Tax Accounting/EFT Unit
P.O. Box 1918
Sacramento, CA 95812-1918

State of California
Department of Insurance
Tax Accounting/EFT Unit
300 Capitol Mall Suite 1400
Sacramento, CA 95814

The tax payment vouchers are available on the California Department of Insurance web-site <http://www.insurance.ca.gov>. Click on the link "Insurers". Under the section "Financial Oversight", click on the link "Tax Forms, Instructions, and Information" to access these vouchers.

For questions concerning the completion of the premium tax return please contact the California Department of Insurance, Tax Audit Bureau – David Okumura at (213) 346-6097 or Marilyn Freeman at (213) 346-6012.

For questions regarding the Electronic Funds Transfer (EFT) Program, contact the California Department of Insurance, Tax Accounting/EFT Unit at (916) 492-3288, e-mail at EFT@insurance.ca.gov, or write to:

State of California
Department of Insurance
Tax Accounting /EFT Unit
300 Capitol Mall, Suite 1400
Sacramento, CA 95814

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FOR CALENDAR YEAR 2002**IMPORTANT INSTRUCTIONS**

All Title Insurance Companies must complete this Tax Return, whether or not business was transacted during the reporting year. Complete all items, including the method of tax payment.

The following are line by line instructions for the Title Insurance Tax Return for the calendar year 2002. Please only use one entry per line and do not write in the column labeled, "CDI use only".

Complete the following information: Name of Insurer, Mailing Address, City, State, Zip Code, Telephone Number, Fax Number, and State of Domicile. Also provide the Federal Tax Identification Number, California Permanent Number (CA Perm No), EFT Taxpayer Identification Number (TIN), and select the appropriate Method of Tax Payment. Please check the appropriate box: New Company (If Certificate of Authority was issued during 2002), Name Change (If the name was changed during 2002), and Final Return (If Certificate of Authority was withdrawn during 2002, or are a non-survivor of a merger).

RECORD ALL AMOUNTS IN WHOLE DOLLARS

- Line 1: **Gross All Inclusive Title Insurance Premiums** - Record the amount from Schedule T, Line 5, and sum of Columns 2, 3, and 4.
- Line 1.1: **Deduct Sum Retained by Underwritten Title Companies** - Record and attach documentation of sum retained by underwritten title companies reported on this line.
- Line 1.2: **Net Taxable Insurance Premiums** - Subtract Line 1.1 from Line 1.
- Line 2: **All Income Received on Reinsurance Assumed** - Record all income received on reinsurance assumed without deducting for reinsurance ceded.
- Line 3: **All Other Income (and Income from "Investments")** - Please refer to the California Revenue and Taxation Code Sections 12231 and 12232, found on page 6 of these instructions, in order to complete this line.
- Line 4: **Total Taxable Income** - Record the sum of Lines 1.2, 2, and 3.
- Line 5: **Tax Rate** - the tax rate of 2.35 %.
- Line 6: **2002 Annual Tax** - Multiply Line 4 by the tax rate on Line 5 to determine the 2002 Annual Tax, Line 6 (If the result of Line 6 is a negative amount, record zero (-0-) tax due). If the 2002 Annual Tax is more than \$20,000, then the insurer is required to participate in the EFT Program. For questions regarding EFT, contact the Tax Accounting/EFT Unit at (916) 492-3288 or e-mail at EFT@insurance.ca.gov.
- Line 7: **Low Income Housing Credit** - Record any Low Income Housing Credit for the reporting year. Include a copy of Form 3521-A, Certificate of Final Award of California, if there is a credit for the reporting year. Failure to provide a copy of Form 3521-A will result in the credit being disallowed.
- Line 8: **COIN Credit** - Record any California Organized Investment Network (COIN) credits for the reporting year. Include a copy of the certification from COIN showing the amount of the credit pursuant to Revenue and Taxation Code Section 12209. Failure to provide a copy of the certificate of credit will result in the credit being disallowed.

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- Line 9: **Prepayments made during the reporting year of 2002** - Only include those prepayments made or applied to the first quarter during the reporting year. Exclude all payments of interest and penalties.
- Line 9a: **Overpayment applied from prior year** -
If there was an overpayment applied to the 2002 First Quarter Prepayment, as reported on Line 13a of the 2001 tax return, then record the amount applied on Line 9a (for example, if the 2002 First Quarter Prepayment due was \$2,500 and the amount of 2001 Overpayment applied was \$500, then record \$500 on Line 9a).
-OR-
If there was no overpayment applied to the 2002 First Quarter Prepayment, then record zero (-0-) on Line 9a.
- Line 9b: **First Quarter (Balance Paid)** -
If there was an overpayment applied to the 2002 First Quarter Prepayment, then record the net balance paid on Line 9b (for example, if the 2002 First Quarter Prepayment due was \$2,500 and the amount of 2001 Overpayment applied was \$500, then record \$2,000 on Line 9b).
-OR-
If there was no overpayment applied to the 2002 First Quarter Prepayment, then record the amount paid for the 2002 First Quarter Prepayment on Line 9b.
- Line 9c - 9e: **Second, Third, and Fourth Quarters** - Record the amount paid for each quarter.
- Line 9f: **Total Prepayments** - Record the sum of Lines 9a through 9e.
- Line 10: **Total Credits and Prepayments** - Record the sum of Lines 7, 8, and 9f.
- Line 11: **2002 Tax Due** - If Line 6 is GREATER than Line 10, then subtract Line 10 from Line 6. The result will be the balance of the 2002 Annual Tax Due, Line 11. Please pay this amount on or before April 1, 2003. If Line 6 is NOT GREATER than Line 10, then please record zero (-0-) on this line and complete Line 12.
- Line 12: **2002 Tax Overpayment** - If Line 10 is GREATER than Line 6, then subtract Line 6 from Line 10, and record the result of the overpayment of the 2002 Annual Tax on Line 12. If Line 10 is NOT GREATER than Line 6, please record zero (-0-) on this line and proceed to Line 13.
- Line 13: **2003 First Quarter Prepayment** - Record the 2003 First Quarter Prepayment on this line. If the Annual Tax, Line 6, is \$5,000 or more, the insurer is required to make prepayments equal to 25 percent of Line 6. If the amount on Line 6 is less than \$5,000, then record zero (-0-) on this line.
- Line 13a: **2002 Tax Overpayment applied to the 1st Quarter Prepayment** - Record the amount of the 2002 Tax Overpayment, Line 12, applied to 2003 First Quarter Prepayment. Note: The application of the overpayment is not required. The insurer may pay the First Quarter Prepayment in full and receive a refund of the total amount reported on the tax overpayment, Line 12.
-OR-
If there is no tax overpayment or the insurer wishes pay the first quarter prepayment in full, then record zero (-0-) on this line.
- Line 13b: **2003 First Quarter Prepayment Balance Due** - If Line 13a is equal to or less than Line 13, then subtract Line 13a from Line 13. The result will be the 2003 First Quarter Prepayment Balance Due. Please pay this amount on or before April 1, 2003.

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Line 14: **2002 Retaliatory Tax** - Record the result of Page 3 of the Premium Tax Return, Schedule A, Line 7.

Line 14a: **2002 Tax Overpayment applied to the Retaliatory Tax** - This line is an optional field. If there is any remaining balance for the 2002 Tax Overpayment, after it was applied to the 2003 First Quarter Prepayment, then apply the remaining balance to the 2002 Retaliatory Tax. Note: The application of the overpayment is not required. The insurer may pay the retaliatory tax in full and receive a refund of the total amount reported on the tax overpayment, Line 12, less any amount applied to the 1st Quarter Prepayment, Line 13a.

-OR-

If there is no tax overpayment or the insurer wishes pay the retaliatory tax in full, then record zero (-0-) on this line.

Line 14b: **2002 Retaliatory Tax Balance Due** - If Line 14a is equal to or less than Line 14, then subtract Line 14a from Line 14. The result will be the 2002 Retaliatory Tax balance due. Please pay this amount on or before April 1, 2003.

Line 15: **Tax Refund** - The Tax Refund is equal to the 2002 Tax Overpayment, Line 12, less the amounts applied to Lines 13a and 14a. If there is no tax overpayment, then record zero (-0-) on this line. NOTE: The refund shall not be applied toward the 2nd Quarter Prepayment.

ATTACH A COPY OF THE CALIFORNIA 2002 ANNUAL STATEMENT SCHEDULE T TO THE TAX RETURN.

**Declaration
of Insurer:**

California Revenue and Taxation Code Section 12303 states: "Every return required by this article to be filed with the commissioner shall be signed by the insurer or an executive officer of the insurer and shall be made under oath or contain a written declaration that it is made under the penalties of perjury. A return of a foreign insurer may be signed and verified by its manager residing within this State. A return of an alien insurer may be signed and verified by the United States manager of such insurer."

Please complete this page and with notary's certification. Please provide the name and address of the contact person for this tax return if the contact person is different than the signatory.

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FOR CALENDAR YEAR 2002**SCHEDULE A - Retaliatory Tax Return**

This schedule is to be completed by all foreign and alien insurers

Part I. State of Domicile Tax on California Insurer

- Line 1.1: Record the amount on Page 1, Line 1.
- Line 1.2: Record allowable deductions of the state of domicile.
- Line 1.3: Deduct Line 1.2 from Line 1.1.
- Line 1.4: Record tax rate of the state of domicile.
- Line 1.5: Record the result of multiplying Line 1.3 by Line 1.4.
- Line 1.6 & 1.7: Record the Fire Department and/or Fire Marshal Tax if required by state of domicile. Attach the worksheet for the calculation.
- Line 1.8: Record the Annual Statement Fee as paid in the state of domicile.
- Line 1.9: Record the Certificate of Authority Fee as paid in the state of domicile.
- Line 1.10: Record the Certification Fee as paid in the state of domicile.
- Line 1.11: For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 1.11(a): Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example: 5 Agents X \$10 = \$50 on this line.
- Line 1.11(b): For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 2: Total of Lines 1.5 through Line 1.11(b).

Part II: California Tax on Foreign/Alien Insurer

- Line 1: Record the Premium Tax amount from Page 1, Line 6.
- Line 5.1: Record Agent License Fee paid by company on behalf of agents. Record the number of agents and amount of fee for each agent. Example: 5 Agents X \$10 = \$50 on this line.
- Line 5.2: For "Other": State the specific type of entry on this line. If necessary, provide documentation on a separate page. Please put the company name on any attachments.
- Line 6: Total of Lines 1 through 5.2.
- Line 7: If the amount on Part II, Line 6 is greater than the amount on Part I, Line 2, record zero on Line 7. Enter zero on the **2002 Retaliatory Tax, Page 1, Line 14.**
 -OR-
 If the amount on Part I, Line 2 is greater than the amount on Part II, Line 6, record the difference between the amounts on Line 7. Enter the result on the **2002 Retaliatory Tax, Page 1, Line 14.**

Please file a copy of your state of domicile premium tax return with this retaliatory tax return.

FOR CALENDAR YEAR 2002

AMENDED TAX RETURNS – TAX REFUND

A claim for refund shall be in writing and shall state the specific grounds upon which it is founded. See Revenue and Taxation Code Section 12978 and 12979. Write the word "Amended" on the top of the amended return. Please send request to:

State Board of Equalization
Excise Tax Division – MIC 56
P.O. Box 942879

Sacramento, CA 94279-0056

Attention: John Eng, Senior Tax Auditor

AND A
COPY TO

California Department of Insurance

Premium Tax Audit Bureau

300 South Spring Street, 14th Floor

Los Angeles, CA 90013-1230

Attention: David Okumura, Senior Examiner

Do not deduct or credit the requested refund when filing any future tax returns or prepayments due. The amount claimed is not a refund until certified as correct and a Notice of Refund is issued to you.

The prepayment amount for the amended tax year is not changed. Record actual prepayment made.

AMENDED TAX RETURN – ADDITIONAL TAX DUE

If you amend a tax return to report additional tax due, send the amended tax return showing clearly where the changes were made, and write the word "Amended" on the top of the amended return.

Please send the amended return to:

California Department of Insurance

Premium Tax Audit Bureau

300 South Spring Street, 14th Floor

Los Angeles, CA 90013-1230

Attention: David Okumura, Senior Examiner

The prepayment amount for the amended tax year is not changed. Record actual prepayment made.

Send a copy of the amended tax return with the check payable to CONTROLLER - STATE OF CALIFORNIA:

State Controller's Office

Division of Collections

Bureau of Tax Administration

P.O. Box 942850

Sacramento, CA 94250-5880

Please note that EFT should only be used for the annual tax and prepayments. Any additional tax, penalty and interest payments are to be made via check.

All payments made toward additional tax due will be applied pursuant to California Revenue and Taxation Code Section 12636.5: "Every payment on a delinquent tax shall be applied as follows: (a) First, to any interest due on the tax. (b) Second, to any penalty imposed by this part. (c) The balance, if any, to the tax itself."

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FOR CALENDAR YEAR 2002**REVENUE AND TAXATION CODE SECTIONS 12231 AND 12232****ARTICLE 3. BASIS OF TAX FOR TITLE INSURERS**

12231. **"Income upon business" as basis of tax.** In the case of an insurer transacting title insurance in this State, the basis of the tax is, in respect to each year, all income upon business done in this State, except:

- (a) Interest and dividends.
- (b) Rents from real property.
- (c) Profits from the sale or other disposition of investments.
- (d) Income from investments

12232. **"Investments" defined.** "Investments," as used in Section 12231, includes property acquired by an insurer in the settlement or adjustment of claims against it but excludes investments in title plants and title records. Income derived directly or indirectly from the use of title plants and title records is included in the basis of the tax.