IMPORTANT INSTRUCTIONS

All Surplus Line Brokers and Special Lines Surplus Line Brokers, who held a license during the reporting year, whether or not business was transacted, must complete this form. Fill out all items, and do not forget to indicate method of tax payment. A return is to be completed for each surplus line license. No group filings are accepted.

Any questions regarding the completion of the Annual Statement and Tax Return please contact the California Department of Insurance, Premium Tax Audit Bureau by e-mail at premiumtaxaudit@insurance.ca.gov

Pursuant to the California Insurance Code Section 1775.8, commencing January 1, 1995, entities subject to insurance tax whose Annual Tax is more than $20,000, are 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.

**DUE ON MARCH 1st 2014**

1. The Annual Statement and Tax Return for the calendar year 2013 - Send original to the California Department of Insurance, Tax Accounting/EFT Unit. The postmark date or the express mail date will determine if the return and/or monthly voucher was mailed in a timely manner.

First Class or Express Delivery

Department of Insurance

Tax Accounting/EFT Unit

300 Capitol Mall, Suite 1400

Sacramento, CA 95814

2. The Annual Tax Due – Paid by check or EFT.

**The Annual Statement and Tax Return and payment must be postmarked on or before March 1 following the end of the calendar year. When the due date falls on a Saturday, Sunday or State or Federal legal holiday, the statement, tax return and payment are considered timely if postmarked on the next business day.**

NOTICE TO ALL SURPLUS LINE BROKERS SUBJECT TO TAXATION PURSUANT TO CALIFORNIA INSURANCE CODE SECTION 1774 ET. SEQ.

Brokers whose preceding year’s tax liability was $5,000 or more are required to pay the tax on business transacted each month pursuant to the California Insurance Code Section 1775.1. If required to pay monthly and no tax is due for a certain month, a zero tax voucher is still required to be filed. Use the following schedule to file monthly tax payment vouchers and remit taxes due:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Business transacted during the month of:** | | | | **is due on or before:** | |
|  | January | 2014 | ……………. | April 1, 2014 |  |
|  | February | 2014 | ……………. | May 1, 2014 |  |
|  | March | 2014 | ……………. | June 1, 2014 |  |
|  | April | 2014 | ……………. | July 1, 2014 |  |
|  | May | 2014 | ……………. | August 1, 2014 |  |
|  | June | 2014 | ……………. | September 1, 2014 |  |
|  | July | 2014 | ……………. | October 1, 2014 |  |
|  | August | 2014 | ……………. | November 1, 2014 |  |
|  | September | 2014 | ……………. | December 1, 2014 |  |
|  | October | 2014 | ……………. | January 1, 2015 |  |
|  | November | 2014 | ……………. | February 1, 2015 |  |
|  | December | 2014 | ……………. | March 1, 2015 |  |

The Surplus Line Broker’s Monthly Tax Payment Vouchers must be returned to one of the following addresses:

## Monthly Tax Payments paid by Check Monthly Tax Payments paid by EFT

Should mail the CHECK and the OR or have a NET amount due of “0” should

Monthly tax payment voucher to: mail the monthly tax payment voucher to:

First Class or Express Delivery

State of California State of California

Department of Insurance Department of Insurance

Tax Accounting Unit Tax Accounting Unit

P. O. Box 1918 300 Capitol Mall, Suite 1400

Sacramento, CA 95812-1918 Sacramento, CA 95814

### IMPORTANT INFORMATION

* **MANDATORY PARTICIPATION**: Commencing January 1, 1995, entities subject to insurance tax, whose annual tax payments is more than $20,000, are required to participate in the Electronic Funds Transfer (EFT) program.
* Those required to pay or have voluntarily elected to pay by Electronic Funds Transfer (EFT) *must use the EFT method of payment* and are still required to submit a monthly voucher.
* If paying by check, include the Surplus Line License Number on the check.

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: [EFT@insurance.ca.gov](mailto: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

**The following are line by line instructions for the Surplus Line Broker and Special Lines Surplus Line Broker Annual Statement and Tax Return for the calendar year 2013. Do not write in the column labeled “CDI use only”.**

Complete all required information: Broker’s Name, Mailing Address, City, State, Zip Code and Telephone Number. Also, provide the Surplus Line License Number, Federal Tax Identification Number, the EFT Taxpayer Identification Number (TIN), and select the appropriate Method of Tax Payment. If Surplus Line Brokers and Special Lines Surplus Line Brokers doing business under a different name, complete the section titled D.B.A. (Doing Business As).

Check all boxes that apply: Brokers writing multi-state risks, refer to the method of allocation pursuant to the California Insurance Code Section 1775.5. Any records or documentations for premium allocation of multi-state risks should be made available for examination by the Department. Brokers submitting a final return (license has expired and no further business will be transacted), must indicate the effective date of the final transaction. Brokers submitting an amended return must write the word **“AMENDED”** at the center space just above the Broker’s name.

Line 1

The amount on Line 1 should be the actual California Surplus Line Gross Premiums on policies transacted from January 1 to December 31 of the tax year (business transacted with nonadmitted insurers only) and should reconcile with the total amount of Lines 10, 10A, 10B and 10C**.** See California Insurance Code Section 1775.5. **Note: The Department does not collect surplus lines premium tax on risks located outside the United States.**

Gross Premiums as used in the calculation of premium taxes due, is the gross policy premiums plus any fees/charges pertaining to the policy such as policy fee, inspection fee, etc.

Example: Policy Premium $10,000

Policy Fee 100

Inspection Fee \_\_150

Total Gross Taxable Premium $10,250

Line 2

The amount on Line 2 should be the actual California Surplus Line Premiums that were returned to the policyholder(s) during the period of January 1 to December 31 of the tax year (business transacted with a nonadmitted insurer only) and should reconcile with the total amount of Lines 11 and 12. This is required pursuant to California Insurance Code Section 1775.5.

Line 3

The amount on Line 3 is the tax base. This amount is the result of the Gross Premiums (Line 1) less the Returned Premiums (Line 2).

Line 4

Line 4 is the Tax Rate of three percent (3%).

Line 5

This amount is the annual tax liability for the reporting tax year. Multiply the Net Taxable Premiums (Line 3) by the Tax Rate of three percent (3%). If the amount on this line is $5,000 or more, monthly tax payments are required. If the amount on this line is more than $20,000, payment via EFT is required. See California Insurance Code Section 1775.1(a) for monthly tax payments and Section 1775.8 for EFT payments.

**Line 6**

The amount on each line is the actual tax paid each month. The annual tax payment is in lieu of the December Monthly Tax Payment, pursuant to California Insurance Code Section 1775.3. Do not include any additional assessments, penalties, or negative amounts on these lines. Any annual tax overpayment credited to the January 2013 monthly tax payment should be included on Line 6A.

Line 6A

Report any credit applied toward the January monthly tax payment from the prior year’s annual tax overpayment.

|  |  |
| --- | --- |
| Example: | 2012 Tax Overpayment credited to January 2013 monthly tax payment is $55.  January 2013 monthly tax payment before credit is applied is $155.  Amount on Line 6A is $55, and the amount on Line 6B is $100. |

Line 7

This line is the sum of all monthly tax payments made during the reporting year. This is the total of Lines 6A through 6M.

Line 8

Deduct the total monthly tax payments (Line 7) from the annual tax liability (Line 5). If the amount on Line 5 is MORE than the amount on Line 7, then complete Line 8. PAY THIS AMOUNT ON OR BEFORE MARCH 1, 2014. Late payment and/or underpayment of the tax due may be subject to penalty and interest. If paying by check, make the check payable to CONTROLLER – STATE OF CALIFORNIA.

|  |  |  |  |
| --- | --- | --- | --- |
| **Also,** | **If the NET ANNUAL TAX DUE (Line 8) is paid by CHECK, mail the CHECK and the Annual Statement and Tax Return to:** | OR | **If the NET ANNUAL TAX DUE (Line 8) is paid by EFT or if the NET ANNUAL TAX DUE (Line 8) is ZERO (-0-), mail the Annual Statement and Tax Return to:** |
|  | State of California  Department of Insurance  Tax Accounting Unit  P.O. Box 1918  Sacramento, CA 95812-1918 |  | State of California  Department of Insurance  Tax Accounting Unit  300 Capitol Mall, Suite 1400  Sacramento, CA 95814 |

Line 9

If the total monthly tax payments (Line 7) is MORE than the Annual Tax Liability (Line 5), then complete Line 9. The overpayment of tax may be allowed as a credit against the succeeding year’s FIRST MONTHLY PAYMENT ONLY; or be refunded. If REFUNDED, do not apply the amount of the refund toward any other tax liability due. Select the appropriate box. **FAILURE TO INDICATE A CREDIT OR REFUND WILL RESULT IN A REFUND BEING ISSUED.**

|  |
| --- |
| **Upon completion of the Annual Statement and Tax Return it should be mailed to the following address (refer to the Surplus Line Broker Calendar for due dates):** |
| State of California  Department of Insurance  Tax Accounting Unit  300 Capitol Mall, Suite 1400  Sacramento, CA 95814 |

Line 10

Record all California Gross Premiums **(Single-state policies)** for Nonadmitted Insurers showing the NAIC # and State of Domicile with whom business was transacted during January 1 through December 31 of the tax year for **California home state insureds.** All returned premiums should be recorded on Line 11.

If additional pages are necessary, make a copy of this page. Be sure to include the Surplus Line Brokers and Special Lines Surplus Line Brokers name and Surplus Line License number. If no business was transacted during the calendar year, write “NONE” and go to the next page. The total of Lines 10, 10A, 10B and 10C should equal Line 1.

Line 10A

Record all California Gross Premiums **(Multi-state policies)** for Nonadmitted Insurers showing the NAIC # and State of Domicile with whom business was transacted during January 1 through December 31 of the tax year for **California home state insureds.**. All returned premiums should be recorded on Line 12.

If additional pages are necessary, make a copy of this page. Be sure to include the Surplus Line Brokers and Special Lines Surplus Line Brokers name and Surplus Line License number. If no business was transacted during the calendar year, write “NONE” and go to the next page. The total of Lines 10, 10A, 10B and 10C should equal Line 1.

Line 10B

Record all California Gross Premiums **(Single-state policies)** for each Lloyd’s Syndicate member (include syndicate number i.e. Lloyds Syndicate # 0) with whom business was transacted during January 1 through December 31 of the tax year for **California home state insureds**. All returned premiums should be recorded on Line 11.

If additional pages are necessary, make a copy of the page. Be sure to include the Surplus Line Brokers and Special Lines Surplus Line Brokers name and Surplus Line License Number. If no business was transacted during the calendar year, write “NONE” and go to the next page. The total of Lines 10, 10A, 10B and 10C should equal Line 1.

Line 10C

Record all California Gross Premiums **(Multi-state policies)** for each Lloyd’s Syndicate member (include syndicate number i.e. Lloyd’s Syndicate # 0) with whom business was transacted during January 1 through December 31 of the tax year for **California home state insureds.** All returned premiums should be recorded on Line 12.

If additional pages are necessary, make a copy of the page. Be sure to include the Surplus Line Brokers and Special Lines Surplus Line Brokers name and Surplus Line License Number. If no business was transacted during the calendar year, write “NONE” and go to the next page. The total of Lines 10, 10A, 10B and 10C should equal Line 1.

Line 11

Record all Returned Premiums (Single-state policies) for Nonadmitted Insurers and each Lloyds Syndicate member (include syndicate #) with whom business was transacted during the tax year. The total of Lines 11 and 12 should equal Line 2.

Line 12

Record all Returned Premiums (Multi-state policies) for Nonadmitted Insurers and each Lloyds Syndicate member (include syndicate #) with whom business was transacted during the tax year. The total of Lines 11 and 12 should equal Line 2.

Line 13

This is the Statement of Trust Assets and Liabilities as of December 31, 2013 for Surplus Line Business only. If using fiscal year basis, state the year-end date on the line provided (month/day/year). This is a quick test of the accumulation totals of the California Surplus Line Trust Fund. See the sample below:

|  |  |
| --- | --- |
| Description of Trust Assets:  Cash Trust  Premiums Receivable  Any securities held in this account | Description of Trust Liabilities:  Premiums Payable  Surplus Line Tax Payable  Stamping Fees Payable |

**Line 14:**

This is the Statement of Nontaxable Business written pursuant to the California Insurance Code Section 1760.5. All Special Lines Surplus Line Brokers are required to complete this Section even if the business transacted was nontaxable for the tax year. All brokers licensed for Special Surplus Lines and all Special Surplus Line Brokers are required to complete this section pursuant to the California Insurance Code Section 1760.5(d).

**Line 15:**

This Statement of Percentage of Premium is required by California Insurance Code Section 1774(a)(1) and is provided for informational purposes only. All Surplus Line Brokers must complete this section for the calendar year, even if the premium reported for this line is nontaxable. The gross premium and percentages of gross premium to be reported are totals for all surplus lines business placed for California home state insureds for the calendar year. For multi-state policies, the percentages should equal the total premium risk allocated to California and to each other state. If percentages do not equal 100% due to non U.S. risks or other reasons, or if not all the premium allocation data is available for reporting this calendar year, that should be noted. The gross premium calculation has been added to assist filers in determining the percentages.

**Line 16:**

In lieu of the Zero Premium Tax Return previously filed by Endorsed surplus line brokers writing on behalf of a business entity surplus line broker organization, provide a listing of all Endorsed surplus line brokers with an individual license to transact as a surplus line broker and who transact or write business on behalf of the reporting surplus line broker organization *(See Notice for Zero Premium Tax Returns and Reporting Requirement for more information).*

**Line 17:**

All surplus line brokers who have delegated the responsibility for filing the confidential written report that includes all taxable premium to another surplus line broker or brokers pursuant to Insurance Code section 1774 (b) will no longer be required to file a Zero Premium Tax Return beginning tax year 2013. This statement requires all delegated surplus line brokers to include a list of those licensees who have delegated this reporting function and on whose behalf they have reported transacted or business done with their Tax Return. The list shall include the name and license number of the delegating surplus brokers *(See Notice for Zero Premium Tax Returns and Reporting Requirement for more information).*

**Line 18:**

Provide the name, title, phone number and e-mail address of the contact person should there be any questions regarding this annual statement and tax return. Provide mailing address if the business street address is different.

**Surplus Line Broker’s Certification**

Surplus Line Broker’s Certification is to be completed by the broker declaring under penalty of perjury pursuant to the laws of the State of California that the annual statement and tax return, including any accompanying schedules or statements, has been examined by the broker, and is true, correct, and complete. The certification may be signed in blue or black ink.

**COMPLETE AND RETURN ALL PAGES OF THE TAX RETURN**

##### 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. Check the box on the top section of page one of the return and indicate the date when it was amended. Send the claim for refund and amended return to:

State Board of Equalization California Department of Insurance

Appeals and Data Analysis Branch – MIC 33 AND A Premium Tax Audit Bureau

P.O. Box 942879 COPY TO 300 South Spring Street, 14th Floor

Sacramento, CA 94279-0033 Los Angeles, CA 90013-1230

Attention: Petitions and Refunds Group Attention: David Okumura, Supervisor

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

##### AMENDED TAX RETURNS – 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. Check the box on the top section of page one of the return and indicate the date when it was amended. 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, Supervisor

Send a copy of the amended tax return with the check made out to the California State Controller:

California Controller’s Office

Division of Accounting and Reporting

P. O. Box 942850

Sacramento, CA 94250-5880

Note that EFT payments, if used, are to be made only for the annual tax and monthly tax. 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.”*

##### Extension of Time

Monthly Installment Payments: California Insurance Code Section 1775.4(g): “The commissioner, upon a showing of good cause, may extend for not to exceed 10 days the time for making a monthly payment. The extension may be granted at any time, provided that a request therefore is filed with the commissioner within or prior to the period for which the extension may be granted. No interest shall be paid for the period of time for which the extension is granted.”

Annual Tax Payment: California Insurance Code section 1775.5(b), states in part, “The commissioner, upon a showing of good cause, may extend for not to exceed 30 days, the time for filing a tax return or paying any amount required to be paid with the return. The extension may be granted at any time, provided that a request therefore is filed with the commissioner within, or prior to, the period for which the extension may be granted. Any surplus line broker to whom an extension is granted shall, in addition to the tax, pay interest at the rate of 1 percent per month or fraction thereof from March 1, until the date of payment.”