

**SURPLUS LINE BROKER AND SPECIAL LINES SURPLUS LINE BROKER****ANNUAL STATEMENT AND TAX RETURN**

CDI FS-006 (REV 11/2004)

**FOR CALENDAR YEAR 2004****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: Aileen Mendoza at 213-346-6137 or Ani Gulatyan at 213-346-6436.

Pursuant to the California Insurance Code Section 1775.8, commencing January 1, 1995, entities subject to insurance tax whose Annual Tax is \$20,000 or more 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](mailto:EFT@insurance.ca.gov).

**DUE ON MARCH 1<sup>st</sup> 2005**

1. The Annual Statement and Tax Return for the calendar year 2004 - Send original and one copy to the California Department of Insurance, Tax Accounting/EFT Unit and one copy to the Surplus Line Association. 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

Surplus Line Association  
388 Market Street, 11<sup>th</sup> Floor  
San Francisco, CA 94111

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

For interstate risks, refer to the method of allocation pursuant to the California Insurance Code Section 1775.5. The broker shall keep records to show the auditors at the time of examination how premiums for interstate risks were allocated.

**The Annual Statement and Tax Return and payment must be received by the Department of Insurance 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 received on the next business day.**

**When the due date falls on a Saturday, Sunday or State or Federal legal holiday, the monthly voucher and installment payment are considered timely if received on the next business day.**

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**FOR CALENDAR YEAR 2004**

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. Use the following schedule to file monthly tax payment vouchers and remit taxes due:**

Business transacted during the month of:

**JANUARY 2005**  
**FEBRUARY 2005**  
**MARCH 2005**  
**APRIL 2005**  
**MAY 2005**  
**JUNE 2005**  
**JULY 2005**  
**AUGUST 2005**  
**SEPTEMBER 2005**  
**OCTOBER 2005**  
**NOVEMBER 2005**  
**DECEMBER 2005**

is due on or before:

**APRIL 1, 2005**  
**MAY 1, 2005**  
**JUNE 1, 2005**  
**JULY 1, 2005**  
**AUGUST 1, 2005**  
**SEPTEMBER 1, 2005**  
**OCTOBER 1, 2005**  
**NOVEMBER 1, 2005**  
**DECEMBER 1, 2005**  
**JANUARY 1, 2006**  
**FEBRUARY 1, 2006**  
**MARCH 1, 2006 NO voucher required**

payment is included in the 2005 annual tax

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

**Monthly Tax Payments paid by Check**

Should mail the CHECK and the  
Monthly tax payment voucher to:

OR

**Monthly Tax Payments paid by EFT**

or have a NET amount due of "0" should  
mail the monthly tax payment voucher to:

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

First Class or Express Delivery  
 State of California  
 Department of Insurance  
 Tax Accounting Unit  
 300 Capitol Mall, Suite 1400  
 Sacramento, CA 95814

**IMPORTANT INFORMATION**

- **MANDATORY PARTICIPATION:** Commencing January 1, 1995, entities subject to insurance tax, whose annual tax payments, is \$20,000 or more 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, please 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

# **SURPLUS LINE BROKER AND SPECIAL LINES SURPLUS LINE BROKER ANNUAL STATEMENT AND TAX RETURN**

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**FOR CALENDAR YEAR 2004**

**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 2004. Please only use one entry per line. Do not write in column labeled "CDI use only".**

Complete the following 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, then complete the section titled D.B.A. (Doing Business As).

In addition, New Brokers (license issued during calendar year 2004), Brokers with Name Changes, Brokers who are submitting a final return (license has expired and no further business will be transacted) and/or Brokers who are submitting an amended return must indicate so by checking the appropriate box on the top section of page one of the tax return. If final return, indicate the effective date of the final transaction or if amended, indicate the date when it was amended.

**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 and 10a. For interstate risks, see California Insurance Code Section 1775.5.

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). 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 \$20,000 or more, 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 2004 monthly tax payment should be included on Line 6A.

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**FOR CALENDAR YEAR 2004****Line 6A**

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

Example: 2003 Tax Overpayment credited to January 2004 monthly tax payment is \$55.  
January 2004 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 6L.

**Line 8**

Deduct the total monthly tax payments (Line 7) from the annual tax liability (Line 5). If the amount on Line 5 is GREATER than the amount on Line 7, then complete Line 8. PAY THIS AMOUNT ON OR BEFORE MARCH 1, 2005. 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) are GREATER 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. Please 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 (please 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 the complete name of the Nonadmitted Insurance Companies, Company NAIC (National Association of Insurance Commissioners) account number, State of Domicile, and California Gross Premiums transacted during the calendar year 2004. Record only nonadmitted insurance companies whose premiums result in a positive amount at year-end (return premiums are recorded on Line 2). Record each insurance company one time on this form. 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 on any additional pages. If there was no business transacted during the calendar year, write "NONE" and go to the next page. The total of Lines 10 and 10A should equal Line 1.

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**FOR CALENDAR YEAR 2004****Line 10A**

Record each Lloyd's Syndicate and number as "Lloyd's Syndicate #0 (U.K.)" and California Gross Premiums for each syndicate member with whom business was transacted for calendar year 2004. Record only those Syndicates whose premiums result in a positive amount at year-end (return premiums are recorded on Line 2). Record each Syndicate one time on this form. 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 on any additional pages. If there was no business transacted during the calendar year, write "NONE" and go to the next page. The total of Lines 10 and 10A should equal Line 1.

**Line 11**

Record the name of the Purchasing Groups and the California Gross Premiums on whose behalf business was transacted with Nonadmitted Insurance Companies during calendar year 2004. 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 on any additional pages. If there was no business transacted during the calendar year, write "NONE" and go to the next page.

**Line 12**

This is the Statement of Trust Assets and Liabilities as of December 31, 2004 for only California Surplus Line Business. 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. Please 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 13:**

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 calendar year 2004. 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(4)(d).

**Line 14:**

Please provide the name, title, and phone number of the contact person should there be any questions regarding this annual statement and tax return. If the business street address is different from the mailing address, please provide this information.

**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**

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**FOR CALENDAR YEAR 2004****AMENDED TAX RETURNS – REFUND - SURPLUS LINE BROKERS**

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 12979. Check the box on the top section of page one of the return and indicate the date when it was amended. Please send the claim for refund and amended return 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, 14<sup>th</sup> Floor  
Los Angeles, CA 90013-1230  
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 – SURPLUS LINE**

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, 14<sup>th</sup> 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:

State Controller's Office  
Division of Collections  
Bureau of Tax Administration  
P. O. Box 942850  
Sacramento, CA 94250-5880

Please 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."*

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**FOR CALENDAR YEAR 2004****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."