SOUTH CAROLINA DEPARTMENT OF INSURANCE

2012 INSTRUCTIONS

CAPTIVE TAX RETURNS

READ CAREFULLY – IMPORTANT INFORMATION

These instructions are provided to assist you in completing your online tax return.

1. **Captive Insurers** – In order to provide sufficient detail to support the Premium Tax Return, the captive insurance company must upload a copy of the Statement of Income and the Premium Schedule from their Annual Report. If licensed as a Captive Risk Retention Group or as a Special Purpose Financial Captive, a copy of Schedule T from the Annual Statement must be uploaded.

2. Round premiums to the nearest dollar.

3. Submit one check only per company payable to the South Carolina Department of Insurance.

Tax returns received by this Department without all supporting documents may be subject to penalties.

Compliance with the South Carolina Department of Insurance requirements is the Company's responsibility. Failure to comply could result in an administrative fine of up to $30,000. Your attention is directed to S.C. Code Ann. §§ 38-2-10 and 38-5-130.

Schedule 01 – South Carolina Fees and Taxes

There is an **Annual** Renewal Fee of $500.00 on Schedule 01 Line 0101. Refer to S.C. Code Ann. § 38-90-20(D) and 38-90-440(G)(2), 2006 Act 332.

South Carolina taxes due in Schedule 01 line 0104 are **based on total global premiums for all states and countries. Line 0102 + Line 0103 or $5,000 whichever is greater has been entered. For captive insurance companies licensed during 2012 pursuant to Article 1 of Chapter 90:** In the calendar year in which a captive is first licensed, if the aggregate taxes to be paid by a captive insurance company amount

to less than the minimum tax calculated, the captive insurance company shall pay the prorated minimum tax for that year. Captive Insurers licensed in the first quarter pay $5,000, second quarter pay $3,750, third quarter pay $2,500 and fourth quarter pay $1,250. However, if the aggregate taxes to be paid by a captive are greater than the prorated minimum tax, the greater aggregate tax must be paid. After the first year, Captive Insurers pay a minimum tax of $5,000. This Schedule is a recapitulation of the other Schedules on the Return and is populated by the system. Refer to S.C. Code Ann. §38-90-140(C).

Special Purpose Financial Captives (SPFCs) only have an Annual Review Fee of $2,400 or, if greater, the actual cost of the review. Refer to §38-90-440(G)(3), 2006 Act 332.

Schedule 02 – Assumed Reinsurance Premium (To Nearest Dollar)

If line 0201:

is $20 million or less, it has been calculated by multiplying line 0201 by .00225.
is over $20 million, but not more than $40 million, line 0202 is $45,000 plus .0015 times excess of $20 million.
is over $40 million, but not more than $60 million, line 0202 is $75,000 plus .0005 times excess of $40 million.
is over $60 million, line 0202 is $85,000 plus .00025 times excess of $60 million.

$100,000 is the maximum total tax payable to the SC DOI in a particular tax year on all assumed premiums. See Note 1 below.

For captive insurance companies licensed pursuant to Article 1: No reinsurance premium tax is payable in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer or other funding mechanism under common ownership and control if the transaction is part of a plan to discontinue the operations related to the loss reserves and other liabilities being assumed of that insurer or funding mechanism and if the parties intend to renew or maintain such business with the captive insurance company.

For SPFCs, licensed pursuant to Article 3: No reinsurance premium tax is payable in connection with the receipt of assets in exchange for the assumption of loss reserves and other liabilities of another insurer under common ownership and control if the transaction is part of a plan to discontinue the operations of that insurer and if the parties intend to renew or maintain such business with the captive insurance company.

Schedule 03 – Exhibit of Premiums and Dividends (To Nearest Dollar)

If line 0301 Col C:

is $20 million or less, it has been calculated by multiplying line 0301 by .004.
is over $20 million, line 0302 is $80,000 plus .003 times excess of $20 million.

$100,000 the maximum total tax payable to the SC DOI in a particular tax year on all direct premiums. See Note 1 below.

Notes:

1. $100,000 is the maximum, total, **combined** tax payable to the SC DOI in a particular tax year on all premiums, direct and assumed, for captive insurance companies licensed pursuant to Article 1 of Chapter 90, Refer to §38-90-140(C)(4), 2006 Act 332.
2. Two or more captive insurance companies under common ownership and control must be taxed as separate captive insurance companies. Refer to §38-90-140(E), 2006 Act 332 and §38-90-580 (2005).

Refer any questions on premium taxes to Gloria Akram gakram@doi.sc.gov or 803-737-6136 or to Angela Davis adavis@doi.sc.gov or 803-737-6279 or Sharon Waddell swaddell@doi.sc.gov or 803-737-4910