

432.1A Tax on premiums — captive insurance companies.

1. *a.* Each captive company under [chapter 521J](#) shall pay on or before March 1 of each year a tax on the direct premiums collected or contracted for on policies or contracts of insurance written by the captive company during the immediately preceding calendar year, after deducting from the direct premiums the amounts paid to policyholders as return premiums, including dividends on unabsorbed premiums or premium deposits returned or credited to policyholders.

b. The tax due under paragraph “*a*” on direct premiums collected or contracted for by a captive company shall be calculated as follows:

(1) Seven-twentieths of one percent on the first twenty million dollars of direct premiums.

(2) One-quarter of one percent on each dollar of direct premiums after the first twenty million dollars collected under subparagraph (1).

2. *a.* Each captive company under [chapter 521J](#) shall pay on or before March 1 of each year a tax on assumed reinsurance premiums. A reinsurance tax shall not apply to premiums for risks or portions of risks that are subject to taxation on a direct basis pursuant to [subsection 1](#).

b. A reinsurance premium tax shall not be payable by a captive company in connection with the receipt by the captive company 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 the other insurer, and if the intent of the parties to the transaction is to renew or maintain the other insurer’s business with the captive company.

c. The amount of reinsurance tax due from a captive company under paragraph “*a*” shall be calculated as follows:

(1) Two-tenths of one percent on the first twenty million dollars of assumed reinsurance premiums.

(2) One-eighth of one percent on the twenty million dollars of assumed reinsurance premiums collected after the first twenty million dollars of assumed reinsurance premiums collected under subparagraph (1).

(3) Five percent on each dollar of assumed reinsurance premiums collected after the twenty million dollars collected under subparagraph (1) and the twenty million dollars collected under subparagraph (2).

3. *a.* (1) Except as provided in subparagraphs (2) and (3), if the aggregate taxes as calculated under [subsections 1 and 2](#) that are payable by a captive company are less than five thousand dollars for any one tax year, the captive company shall pay five thousand dollars in tax for that tax year.

(2) If a captive company is subject to the minimum tax under subparagraph (1) in the calendar year in which the company is first granted a certificate of authority under [section 521J.2](#), the tax shall be prorated as follows:

(a) If a certificate of authority is first granted in the first quarter of the calendar year, the tax shall be five thousand dollars.

(b) If a certificate of authority is first granted in the second quarter of the calendar year, the tax shall be three thousand seven hundred fifty dollars.

(c) If a certificate of authority is first granted in the third quarter of the calendar year, the tax shall be two thousand five hundred dollars.

(d) If a certificate of authority is first granted in the fourth quarter of the calendar year, the tax shall be one thousand five hundred dollars.

(3) If a captive company that is subject to the minimum tax under subparagraph (1) surrenders the company’s certificate of authority in the year that the captive company is subject to the minimum tax, the tax shall be prorated on a quarterly basis as follows:

(a) If the certificate of authority is surrendered in the first quarter of the calendar year, the tax shall be one thousand dollars.

(b) If the certificate of authority is surrendered in the second quarter of the calendar year, the tax shall be two thousand five hundred dollars.

(c) If the certificate of authority is surrendered in the third quarter of the calendar year, the tax shall be three thousand seven hundred fifty dollars.

(d) If the certificate of authority is surrendered in the fourth quarter of the calendar year, the tax shall be five thousand dollars.

b. Each protected cell in a protected cell captive company shall be considered separately in determining the aggregate tax to be paid by the protected cell captive company. If the protected cell captive company insures any risks in addition to the protected cells, the determination of the aggregate tax shall, in addition to the protected cells, also include the premium on all insured risks.

c. Each series of members of a limited liability company formed as a special purpose captive company shall be considered separately under [this section](#), except that the minimum tax as described in paragraph “a” shall be considered in the aggregate.

4. A captive company, other than a protected cell captive company, shall not be required to pay aggregate taxes under [this section](#) that exceed one hundred thousand dollars in any one tax year.

5. Two or more captive companies under common ownership and control shall be taxed as a single captive company. For the purposes of [this subsection](#), “*common ownership and control*” means either of the following:

a. In the case of a stock corporation, the direct or indirect ownership of eighty percent or more of the outstanding voting stock of two or more corporations by the same shareholder or shareholders.

b. In the case of a mutual insurer, the direct or indirect ownership of eighty percent or more of the surplus, and the voting power of two or more insurers, by the same member or members.

6. Only the branch business of a branch captive company shall be subject to taxation under [this section](#).

7. The tax provided for in [this section](#) shall be calculated on an annual basis notwithstanding a policy or a contract of insurance, or a contract of reinsurance, that is issued on a multiyear basis. In the case of a multiyear policy or a multiyear contract, the premium shall be prorated for the purpose of calculating the appropriate tax.

[2023 Acts, ch 107, §2](#)

Referred to in [§521J.7](#), [521J.9](#), [521J.17](#), [521J.22](#)

NEW section