

Annual Tax and Fees Report INSTRUCTIONS

VERSION 20231128

Use for any year

2018 to 2023



Tax forms and instructions are accessible from the Arizona Department of Insurance and Financial Institutions "Tax Forms and Instructions" web page at <https://difi.az.gov>

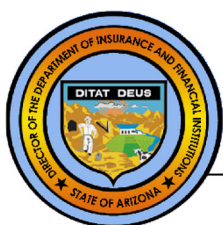
Additional Help Is Available

- ▶ Check our Tax Forms and Instructions web site for updated versions of these instructions.
- ▶ Send e-mail to Tax Unit (taxunit@difi.az.gov) or call the Tax Section (602) 364-2713 with questions not answered on our web site, or if you find errors in forms or instructions.

All insurance companies must use OPTins to file tax reports and pay insurance premium taxes.



...your electronic filing solution, facilitating premium tax, surplus lines tax, assessments, and other state-specific tax filings.



Please update your records to reflect our recent front office move to
100 N. 15th Avenue, Suite 261, Phoenix, AZ 85007-2630

Read All Instructions

Familiarizing yourself with these instructions before you begin working on your tax and fee filing may save you time and effort.

Read instructions provided on each schedule to determine whether you need to complete the schedule and other information you need to know.

New for 2020

Guaranty Fund Assessments. In 2017, 2018, 2019, 2020 and 2021, the Arizona Life and Disability Insurance Guaranty Fund assessed member insurers. When an insurer pays the assessment, the Fund issues a Certificate of Contribution, entitling the insurer to offset its premium tax liability by 20% of the assessment amount in the year of the assessment and by 20% of the assessment amount in each of the four succeeding years. Insurers claiming the tax offset need to upload a PDF version of the Certificate of Contribution as part of the OPTins premium tax filing.

Quality Jobs Tax Credit. One or more affiliates of an insurance holding company system may collectively satisfy the statutory thresholds for investment and job creation. The holding company system will provide information to the Arizona Commerce Authority that discloses how the credits should be allocated to the holding company system members, and the Authority shall ensure that the total credits allocated to all affiliates does not exceed the aggregate credits for which the holding company system is eligible. Once earned credits are allocated to one or more affiliate within an insurance holding company system, the credits cannot be transferred to another affiliate or taxpayer. Each affiliate, however, may carry forward excess tax credits for up to five consecutive years pursuant to ARS § 20-224.03.

Don't Miss a Payment Deadline

Tax reports and payments, renewal fees and annual statement filing fees are due as follows:

- **February 28** for a reinsurer of a domestic ceding insurer to pay the annual statement filing fee pursuant to ARS §§ 20-167(A) and 20-261.01(B).
- **March 1** for all insurers (including health care services organizations, health-related service corporations and organizations, risk retention groups, fraternal benefit societies and other risk-bearing entities) to pay premium taxes

pursuant to ARS §§ 20-224, 20-224.01, 20-837, 20-1010 and 20-1060.

- **March 1** for foreign and alien insurers to pay the annual statement filing fee and certificate of authority renewal fee pursuant to ARS §§ 20-167(A) and 20-223(A).
- **March 15, April 15, May 15, June 15, July 15 and August 15** for insurers with a prior-year premium tax liability of at least \$50,000 to pay installments.
- **March 31** for a domestic insurer to pay the annual statement filing fee and certificate of authority renewal fee pursuant to ARS §§ 20-167(A) and 20-223(A). *We recommend paying these fees with taxes due March 1.*
- **April 1** for a mechanical reimbursement reinsurer to pay the annual statement filing fee and certificate of authority renewal fee pursuant to ARS §§ 20-167(A) and 20-1096.05(B).
- **August 1** for an unaffiliated credit life and disability reinsurer with a fiscal year ending December 31 to submit an annual statement filing fee pursuant to ARS §§ 20-167(A) and 20-1083(B).
- **November 1** for an unaffiliated credit life and disability reinsurer with a fiscal year ending other than December 31 to submit an annual statement filing fee pursuant to ARS §§ 20-167(A) and 20-1083(B).

A filing is timely if you transmit it electronically via OPTins by the due date. **All insurers must use OPTins (or an OPTins authorized business partner that forwards documents and data to OPTins) to file tax reports and pay taxes.**

Premium taxes that are not reported or paid through OPTins will be voided and returned, and the taxpayer will be subject to applicable late payment penalties and interest.

Insurers that pay tax late are subject to a civil penalty equal to the greater of \$25 or 5% of the delinquent tax, and interest equal to 1% per month from the date the tax was due. ARS § 20-225(A). The director may refuse to renew the certificate of authority of an insurer that does not pay tax on or before the due date, and must revoke the certificate of authority of an insurer failing to pay tax more than 30 days after it was due. ARS § 20-225(B).

Have Required Software

- **You must have Adobe Reader** software (available at no charge from www.adobe.com) to read instructions and the Annual Taxes and Fees Data Sheet.
- **You must have an Office 2007 or newer version of Microsoft Excel**, or the current version of **OpenOffice** (available at no charge from www.openoffice.org) if you are required to complete and submit a tax report. *See the Annual Taxes and Fees Data Sheet to determine whether you must complete and submit a tax report.*

Use the Correct Form

Find the forms and instructions you need from OPTins (optins.org) or from our *Tax Forms and Instructions web page* (<https://difi.az.gov/>).

- **FEE ONLY:** If you only need to pay a fee, use OPTins (optins.org) to pay the fee electronically. OPTins will tell you what you owe and how to enter your payment.
- **NON E-TAX REPORT:** If you need to submit a tax report other than Form E-TAX, download, save, and complete the tax report. Use OPTins to submit the tax report and accompanying payment.
- **E-TAX REPORT:** If you need to submit Form E-TAX, you will need to download, save, complete and use OPTins to submit all documents (see the “**Complete Forms and Schedules in the Best Sequence**” section later in this document).

Download and Complete

Only use the current version of each form from our *Tax Forms and Instructions web page* (<https://difi.az.gov/>), from OPTins (optins.org) or from an OPTins authorized business partner. A different version will be rejected.

To download and use tax forms:

1. Click on the link to the tax form and select the “SAVE” option.
2. Use your computer’s “explorer” window to designate where on your computer or network you want to save the file.
3. Repeat steps 1 and 2 for each of the tax forms you need.
4. Launch Microsoft Excel (or OpenOffice) and open the file you saved on your computer/network.

5. Enter and save information.
6. Submit forms as attachments to an NAIC OPTins filing (along with any other required attachments and payment).

Report the Correct Data

Premium totals you report in your annual statement may differ from premiums that are taxable under Arizona law. Regardless of how you report information in your annual statement, Arizona law requires you to report and pay taxes *on premiums for insurance covering property, subjects or risks located, resident or to be performed in Arizona.* ARS § 20-224. Describe additions and subtractions from premium on Form E-TAX. Provide attachments as necessary to explain and document differences between annual statement and tax report amounts.

Complete Forms and Schedules in the Best Sequence

Many (but not all) places on Form E-TAX will be highlighted when required information is missing. Make sure to complete all required information (whether highlighted or not) before submitting your tax report.

You should complete your tax report forms in the following sequence:

1. **FORM E-TAX, PART A and PART B.** Enter information in all boxes.
2. **FORM E-TAX, PART C – skip for now.** We’ll come back to it.
3. If the insurer is an accountable health plan reporting tax-exempt premiums for major-medical (health benefit) plans to small employers, complete **Schedule E-SGHI**, which is in a separate file available from our web site.
4. After completing the E-SGHI worksheet, post the total from that worksheet to Form E-TAX, Part D, line AHP, column (a).
5. **FORM E-TAX, PART D.** Record premium written, finance/service charges, policy dividends and other subtractions for each line of insurance in columns (a) through (d).

Note: If the insurer transacted accident and health insurance premium (even for a property and casualty insurer), begin by entering the total premium for all kinds of *accident and health* insurance (taxable AND tax-exempt) on Line

AH00. Then enter premiums that are tax exempt on the succeeding “AH..” lines, which will subtract from AH00 to compute the ACCIDENT AND HEALTH SUBTOTAL.

You MUST use the “Notes” box to describe each entry in the “Other Subtractions” column.

6. **FORM E-TAX, PART E.** Do not make entries on lines that instruct you to “SKIP THIS LINE.” Only insurers that reported premiums for fire, allied lines, farmowners, homeowners or commercial non-liability insurance will need to enter information in PART E.
7. If the insurer earned or is using a tax credit or tax offset, complete **FORM E-TC**. You will need to start Form E-TC by posting the amount from Form E-TAX, Part C, Line 1 onto Form E-TC, Line 9 (gross premium tax). Note: Most tax credits/offsets require documentation to be provided. See Form E-TC for details.
8. If an insurer that is required to submit Form E-RT is domiciled in a state that requires insurers to pay insurance producer appointment or appointment renewal fees, **Schedule E-TAX-AGENTS**.
9. If the insurer is a foreign or alien insurer (domiciled outside Arizona), complete **FORM E-RT** (using information from the *Arizona Retaliation Guide*). **EXCEPTION:** Beginning with Tax Year 2015, insurers domiciled in Hawaii, Massachusetts, Minnesota, New York, and Rhode Island are exempt from retaliation in Arizona and must NOT complete Form E-RT.
10. **FORM E-TAX, PART C.**
 - a. Post the total from Form E-TC to Line 2.
 - b. If subject to retaliation, post the total from Form E-RT to Line 4.
 - c. Use the fee schedule from our web page to identify the insurer’s Certificate of Authority Fee and post that amount to Line 5.
 - d. Use the fee schedule from our web page to identify the insurer’s Annual Statement Filing Fee, and post that amount to Line 6.
 - e. Use OPTins or the insurer’s records to identify the total installment payments the insurer made, and post that amount to Line 8.

- f. Line 9 will calculate either the amount to be refunded to the insurer or the amount the insurer owes.
 - **If the insurer is owed a refund**, do not include a payment as part of your OPTins filing.
 - **If the report calculates an amount owed**, pay exactly that amount (to the penny) as part of the OPTins filing.
11. If the insurer is a domestic (domiciled in Arizona), **Form E-LRTF** with documentation specified in form instructions should be uploaded with the filing.
12. If the insurer is filing an amendment to a previously submitted E-TAX tax report, complete a new **Form E-TAX** (Delete the “X” in Original Report Type and add to Amended Report).

Summary of Filing Contents

When submitting an OPTins filing, provide appropriately labeled attachments.

All tax forms and worksheets must be completed from the **newest version** of forms available from one of the following sources:

- The Arizona Department of Insurance and Financial Institutions web site,
- The NAIC OPTins web site, or
- Forms prepared by an authorized business partner of NAIC OPTins.

Include the following in your OPTins E-TAX filing:

- ▶ **Form ETAX-** (Annual Tax and Fees Report). Only complete and submit a version of the form made available from our web site, from the OPTins web site or from an authorized business partner of NAIC OPTins.
- ▶ **If Form E-TAX line 9 shows an AMOUNT YOU OWE**, a payment that exactly matches (to the penny) the calculated amount due.
- ▶ **If Form E-TAX, PART D, line SCAH is not \$0.00**, a list containing the federal, state and municipal governments that paid premium you are claiming as exempt and the amount of premium paid by each. Line 19 must be \$0.00 if the insurer is not a service corporation.
- ▶ **If Form E-TAX, PART D, Line AHP is not \$0.00**, an OPTins attachment containing the SGHI.XLS workbook in Microsoft Excel Open XML (XLSX) format, and a scanned copy of a

sample of evidence you collect to determine that an employer meets the definition of “small employer,” saved in Adobe Acrobat (PDF) format.

- ▶ **If Form E-TAX, PART D, Line PC16 is not \$0.00**, a photocopy of the tax report that you filed with the Industrial Commission of Arizona marked “COPY.”
- ▶ **If the insurer is claiming one or more tax credit**, Form E-TC and any supporting documentation and schedules specified in Form E-TC. If the insurer paid a Guaranty Fund assessment and is offsetting premium tax liability, the insurer must include a copy of the Certificate of Contribution as a filing attachment. Make sure to post the total from Form E-TC on Form E-TAX line 2.
- ▶ **If the insurer is an Arizona-domestic insurer**, an OPTins attachment containing Form ELRTF (-Survey of Domestic Insurers: Local/Regional Taxes and Fees) saved in Microsoft Excel Open XML (XLSX) format.
- ▶ **If the insurer is a foreign or alien insurer** other than an insurer domiciled in Hawaii, Massachusetts, Minnesota, New York or Rhode Island, **Form E-RT** and any supporting documentation and schedules specified in Form E-RT, regardless of whether the insurer has a retaliation liability. Consult the portion of the *Arizona Retaliation Guide* that pertains to your domicile to help ensure you identify all retaliation items.

Retaliation

All foreign and alien fraternal benefit societies, risk retention groups and insurers other than title insurers that are not domiciled in Hawaii, Massachusetts, Minnesota, New York or Rhode Island must complete **Form E-RT**. Title insurers must, instead, complete Form E-TITLE to report retaliation.

A foreign or alien insurer must pay *retaliation* if the total taxes, fees, assessments and other obligations that the insurer’s domicile (including any political subdivisions within the domicile) would impose upon a similar Arizona insurer doing the same type and level of business are greater than the taxes, fees, assessments and other obligations that Arizona imposed upon the foreign/alien insurer.
ARS § 20230-.

The insurer must make sure that all information throughout all parts of Form E-RT is complete and accurate. The Department of Insurance and Financial

Institutions has created an “*Arizona Retaliation Guide*,” available from our website.

Tax Forms and Instructions web page (<https://difi.az.gov>) to help insurers identify information that should appear on Form E-RT.

How to Submit ETAX-

IMPORTANT! Starting January 1, 2018, OPTins (either directly at www.optins.org, or through an OPTins authorized business partner) is the only way to file and pay taxes. DO NOT try any payment method other than OPTins. If you do, your report and payment will be rejected and you may be subject to penalty and interest.

- **Make sure you have everything you need before submitting your report.**
- **Do not print or scan the tax report.** You must upload the completed Microsoft Excel workbook as an attachment to your OPTins filing.
- **Do not combine your E-TAX (Annual Tax and Fees Report) filing and payment with any other filing or payment.** You must submit your ETAX filing and (if applicable) payment using **-NAIC OPTins**. You must save, complete and upload the ETAX workbook and any -other required forms or documents as OPTins filing attachments.
- **Do not transmit a payment of state-prescribed fees with your E-TAX filing if Form E-TAX shows you are owed a refund.** After verifying the refund amount, the Department will issue the refund by check.
- **If Form E-TAX shows you owe**, enter the exact amount (to the penny) to OPTins “Payment Type 69: Payment to be Distributed.” Do not use any other payment type.

Installment Payments

An insurer with a net premium tax liability (Form E-TAX -line 3) of \$50,000 or more for the prior calendar year must pay a total of six installments during the current calendar year. Each installment must equal 15% of the prior-year tax liability. Installments are due the 15th of each month, March through August.

Except for an insurer with a prior-year premium tax liability that is less than \$50,000, Arizona law (specifically ARS § 20-224(F)) allows no exemption from, or alternate calculation for, the required

installment payment, regardless of whether the insurer expects its current-year tax liability to be significantly different from the insurer’s prior-year tax liability.

24	Installment Due August 15 th
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However, an insurer **must not** subtract a requested tax refund from installment payments.

IMPORTANT! Starting January 1, 2018, OPTins is the only way to file and pay installments. DO NOT try any payment method other than OPTins.

You must use the following payment types when entering installment payments in OPTins:

Payment Type	Description
19	Installment Due March 15 th
20	Installment Due April 15 th
21	Installment Due May 15 th
22	Installment Due June 15 th
23	Installment Due July 15 th
24	Installment Due August 15 th

You do not need to attach any document as part of an installment payment.

Please note the following information that responds to questions we have been asked.

- An insurer that fails to timely pay an installment shall be subject to the civil penalty and interest prescribed in ARS § 20-225.
- An insurer with a prior-year tax liability of less than \$50,000 may voluntarily make installment payments in the current year if it wishes to do so, but is not required to do so.
- An insurer may make installment payments that each exceed 15% of the prior-year tax liability if it wishes to do so. An authorized insurer that is subject to the installment-payment requirement may not make installment payments that are less than 15% of the insurer’s prior-year tax liability.
- An insurer may make two or more installment payments in a single OPTins filing (*for example, you can pay the March and April installments with one OPTins filing*).
- An insurer may pay installments in the same OPTins filing as its E-TAX (annual taxes and fees) filing, using the following payment types:

Payment Type	Description
69	E-TAX Amount Owed (“Payment to be Distributed”)
19	Installment Due March 15 th
20	Installment Due April 15 th
21	Installment Due May 15 th
22	Installment Due June 15 th
23	Installment Due July 15 th