E-TAX-ALT

INSTRUCTIONS

VERSION 20110602

2010

The E-TAX-ALT workbook and other tax forms and instructions are accessible from the Arizona Department of Insurance "Tax Forms and Instructions" web page at www.azinsurance.gov/taxunit/index.html.

For answers to questions, first consult the Taxes and Fees Frequently Asked Questions web page at www.azinsurance.gov/taxunit.faq.html. Then, e-mail Scott Greenberg, Chief Operating Officer, at sgreenberg@azinsurance.gov, or call the Insurance Tax Unit at (602) 364-3997.

Go paperless and pay electronically. Use

OPTins
Online Premium Tax for Insurance
A Product of NAIC

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

State of Arizona **Department of Insurance** | www.azinsurance.gov

Filing Requirements

Use the Correct Form

Find the forms and instructions you need from our "Tax Forms and Instructions" web page (http://www.azinsurance.gov/taxunit).

Arizona Revised Statutes ("ARS") § 20-224(A) requires you to file information "…on a form prescribed by the director." Form E-TAX-ALT contains numerous cells that automatically calculate. Use the version of Form E-TAX-ALT available through the NAIC OPTins system (www.optins.org) or the version accessible from our Internet web site (www.azinsurance.gov). Using a different version may be rejected if incomplete or incorrect and you subject you to civil penalties and interest.

Report the Correct Data

Premium totals you report in your annual statement may differ from premiums that are taxable under Arizona law. Notwithstanding the way 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.

Pay the Correct Amount

Only send a payment with your filing if the AMOUNT DUE shown on Line C23 is greater than $0.00.

Who Uses E-TAX-ALT

Use E-TAX-ALT if filing a report after March 1 and the type of insurer is in the following list.

Insurers required to file E-TAX-ALT

- Casualty insurer
- Disability (accident/health) insurer
- Health care services organization
- Hospital, medical, dental and optometric service corporation
- Life and disability insurer
- Life insurer
- Mortgage guaranty insurer
- Prepaid dental plan organization
- Property and casualty insurer
- Property insurer
- Risk retention group – foreign

Description of E-TAX-ALT

E-TAX-ALT is a Microsoft Excel 2003 workbook that enables an insurer to

- submit a tax report after the March 1 due date, or
- amend an Annual Tax and Fees Report filed using Form E-TAX, or
- amend a previously filed E-TAX-ALT workbook.

The worksheets are protected to allow information to be entered only in certain places.

E-TAX-ALT contains the following:

- **SECTIONS A and B** are where you enter general information about the insurance company and the person completing the report.
- **SECTIONS C, D, E, F, G, H, J, K, N and SCHEDULE RT** are where the insurer reports information about the business it transacted in Arizona and tax credits. Parts of the workbook automatically calculate based on entries made elsewhere in the workbook. Each worksheet has the following five columns:
  - The leftmost column contains the report line number, which consists of the section letter and a sequential number.
  - The second column describes the information that the insurer needs to provide.
  - The third column

    > will be shaded and excluded from calculations if you entered an "X" in the "**This is an ORIGINAL FILING**" box in Section A.

    > will be entitled "**Previous Report**," and included in calculations if you indicated you are submitting an AMENDED FILING in Section A. The

Previous Report column is where the insurer needs to enter the information from the previously submitted Form E-TAX, or from the "Correct Amount" column of a previously submitted E-TAX-ALT workbook.

- The fourth column, entitled, "**Correct Amount**," is where the insurer needs to enter correct information (even where the information is the same as in the "Previous Report" column).
- The fifth column, entitled "**Difference**," automatically calculates the value in the "Correct Amount" column minus the value in the "Previous Report" column.

- **SECTION P** automatically calculates any penalty and interest the insurer owes for failing to timely pay taxes owed.
- **YOUR RIGHT TO APPEAL** describes the insurer's right to appeal if E-TAX-ALT shows the insurer owes a civil penalty or interest.
- **ENTRY** and **ADJUSTMENTS**: These worksheets are for Department of Insurance use only. They consolidate information from various entries and calculations elsewhere in the E-TAX-ALT workbook to facilitate data entry into the Department's Premium Tax Database.

How to submit E-TAX-ALT

You have two choices for submitting E-TAX-ALT and any required payment.

- ***NAIC OPTins.*** You can upload the E-TAX-ALT workbook as an OPTins filing attachment and pay the amount due (pay only if Line C23 is greater than $0.00) by entering it using Payment Type 1; **OR**,
- ***Paper filing.*** ►Print all worksheets (using portrait orientation) within the E-TAX-ALT workbook. Each worksheet other than Schedule RT should fit on a single page. Schedule RT will print on two pages. ►Sign the PREPARER'S ATTESTATION in Section B, and ►submit the printed workbook with any additionally required items and a check payable to "**ARIZONA DEPARTMENT OF INSURANCE"** for the payment of the AMOUNT DUE shown on Line C23 to the following address:

Insurance Tax Unit
Arizona Department of Insurance
2910 N 44th St # 210
Phoenix, AZ 85018-7269

IMPORTANT! DO NOT try to pay using an ACH transaction or by any method other than OPTins or check. If you do, your payment will be rejected and you may be subject to penalty and interest.

Summary of Filing Contents

► Your payment of the AMOUNT DUE from Section C, Line C23, attached to the front of the Transmittal Sheet.

► Form E-TAX-ALT: Alternate Tax Report

► Form E-TAX-PAM: Premium Allocation Method

► If the "Difference" column for Line C9 is not $0.00, health insurance certificates from the Arizona Department of Revenue.

► If the "Difference" column for Line D8 is not $0.00, an explanation and supporting documentation for the entry.

► If the "Difference" column for Line E10 is not $0.00, Form E-AHP, spreadsheet SGHI.XLS and a sample of evidence you collect to determine that an employer meets the definition of "small employer."

► If the "Difference" column for Line E11 is not $0.00, an explanation and supporting documentation for the entry.

► If the "Difference" column for Line F16 is not $0.00, an explanation and supporting documentation for the entry.

► If the "Difference" column for Line G16 is not $0.00, an explanation and supporting documentation for the entry.

► If the "Difference" column for Line H3 is not $0.00 and you are a foreign or alien insurer, a photocopy of the tax report that you filed with the Industrial Commission of Arizona marked "COPY."

- ► If the "Difference" column for Line J10 is not $0.00, an explanation and supporting documentation for the entry.
- ► If the "Difference" column for Line K2 is not $0.00, copies of your Arizona Guaranty Fund Certificates of Contribution.
- ► If the "Difference" column for Line K3 is not $0.00, a CD-ROM containing your E-ZONE credit workbook and evidence that you made the required filing with the Arizona Department of Commerce on or before the due date.
- ► If the "Difference" column for Line K4 is not $0.00, a CD-ROM containing your M-ZONE credit workbook and evidence that you made the required filing with the Arizona Department of Commerce on or before the due date.
- ► If the "Difference" column for Line K5 is not $0.00, Schedule STO and a copy of each approval document from the Arizona Department of Revenue.
- ► If the "Difference" column for Schedule RT, Part A is not $0.00, submit each tax return that your domicile would require an Arizona insurer to complete, filled with information concerning the business you transacted in Arizona.
- ► If the "Difference" column for Schedule RT, Part F is not $0.00, submit a copy of each assessment invoice levied by an Arizona State agency that you paid during the year.
- ► A copy of your Schedule T and your Arizona State Page Exhibit from your annual statement filing.

Filing Due Date

Arizona law requires insurers to file insurance premium tax reports by **March 1**.
ARS § 20-224(A). A filing is timely if ►you transmit it electronically using OPTins by the due date, OR ►we receive it by the due date, OR ►we receive it in a mailed package postmarked by the due date or showing a courier service retrieved it by the due date.

NOTE: Postage metering is NOT evidence of the date you mailed materials. If the Department of Insurance receives mail after the due date that does not have a postmark or other evidence of when it was sent, the Department shall consider the item to have been mailed the immediately preceding business day.

Late Filings

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.
ARS § 20-225(B).

Installment Payments

If your insurance premium tax liability for the prior calendar year on Form E-TAX-ALT (Line C10) is $2,000 or more, you must pay installments during the current calendar year by the 15th of each month, March through August.

Line C18 on Form E-TAX-ALT will show the difference between the installments you paid and the installments you owe as of the date you produce Form E-TAX-ALT (listed in Section N). This amount is included in the calculation of the "AMOUNT DUE" on Line C23.

Line C23 EXCLUDES installments that were not due as of the date you prepared Form E-TAX-ALT. Submit these other unpaid installments either by using OPTins or by sending the payment with Form E-INSTALL to the address shown on the top of Form E-INSTALL.

Additional Help Is Available

- ► Review our Tax and Fees FAQ page at www.azinsurance.gov/taxunit/faq.html.
- ► Send e-mail to Chief Operating Officer Scott Greenberg at sgreenberg@azinsurance.gov or call (602) 364-3764 with questions not answered on our web site.

Line Instructions for E-TAX-ALT

Transmittal

This page is automatically completed with information extracted from other parts of your tax report. If you are submitting Form E-TAX by mail, staple your payment to the front of this sheet, and attach the sheet as the top page of your Report.

Section A

The "Domicile," "Business Type" and "Entity Type" affect the fees that the insurer owes. Find the insurer's license record on our Internet web site by clicking the "License Search" tab at the top of our home page (www.azinsurance.gov).

"If the insurer had an Arizona Certificate of Authority at any time after December 31, […], enter an X in the box to the right.

> Enter an **X** even if the insurer was in the process of withdrawing, merging or other change of authority action if the insurer held an Arizona Certificate of Authority as of January 1.

"This is an ORIGINAL FILING (X or blank)"

- ► If the insurer is submitting Form E-TAX-ALT as an original tax and fees report, enter an "X". This will cause the "Previous Report" column throughout the workbook to be grayed out and excluded from calculations.
- ► If the insurer is submitting Form E-TAX-ALT to amend a previously submitted E-TAX or E-TAX-ALT report, delete the content of the ORIGINAL FILING cell, which will cause an "X" to appear in the "This is an AMENDED FILING (X)" cell.

Section B

Enter information for the person the Insurance Tax Unit should contact with any questions concerning the E-TAX-ALT report.

Section C

Section C automatically calculates except for Lines C9, C11, C12, C15 and C16.

For **Line C9**, Enter the total of all certificates issued by the Arizona Department of Revenue to insureds you covered with insurance pursuant to ARS § 20-224.05 during the calendar year covered by Form E-TAX-ALT. Include a copy of each certificate if the amount in the "Difference" column is not $0.00.

In the **Line C11 "Previous Report"** column, enter the Certificate of Authority Fee from your prior report (or $0.00 if you did not previously file a report). The correct fee amount will automatically appear in the "Correct Amount" column based on the domicile, business type and entity type entered in Section A.

In the **Line C12 "Previous Report"** column, enter the Annual Statement Filing Fee from your prior report (or $0.00 if you did not previously file a report). The correct fee amount will automatically appear in the "Correct Amount" column based on the domicile, business type and entity type entered in Section A.

In the **Line C15 "Previous Report"** column, enter the total installments that you previously reported as having paid during the calendar year covered by the report (or $0.00 if you did not previously file a report). In the **Line C15 "Correct Amount"** column, enter the total installment that you actually paid during the calendar year covered by the report.

In the **Line C16 "Previous Report"** column, enter the amount that you paid with your prior report (as a positive number), or the refund you received from your prior report (as a negative number). **IMPORTANT: If your previous report showed you were owed a refund, send e-mail to Chief Operating Officer Scott Greenberg at sgreenberg@azinsurance.gov to inform him you are preparing an amended report. The Department of Insurance shall delay issuing a refund until after auditing your amended report.**

Section D

On **Line D1**, enter the amount of life insurance premiums that you reported in your annual statement. Your entry on Line D1 is excluded from tax calculations but will be used to

understand the information you provide for **Lines D2** and **D3**.

On **Line D2**, enter the amount of life insurance premiums that cover subjects or risks located, resident or to be performed in Arizona. If your entries in Form E-TAX-PAM (see Line D3) show you used the same method to allocate premiums among states for annual statement reporting as for premium tax reporting, the amount on Line D2 should match the amount on Line D1.

If the **Line D8 "Difference"** column is not $0.00, you must include a written explanation and supporting documentation.

Section E

On **Line E1**, enter the amount of accident and health insurance premiums that you reported in your annual statement. Your entry on Line E1 is excluded from tax calculations but will be used to understand the information you provide for **Lines E2** and **E3**.

On **Line E2**, enter the amount of accident and health insurance premiums as described for the item. If your entries in Form E-TAX-PAM (see Line E3) show you used the same method to allocate premiums among states for annual statement reporting as for premium tax reporting, the amount on Line E2 should match the amount on Line E1.

Line E9 only applies to hospital, medical, dental and optometric (HMDO) service corporations.

Line E10 only applies to Arizona-licensed accountable health plans that issue health benefit plan policies to small employers.

If the **Line E11 "Difference"** column is not $0.00, you must include a written explanation and supporting documentation.

Section F

SECTION F calculates your fire insurance premium tax per ARS § 20-224(B). Two tax rates apply to fire insurance:

- ► 0.66% for fire insurance covering property located in an incorporated city or town certified by the state fire marshal as procuring the services of a private fire company (Carefree and Fountain Hills during Calendar Year 2010); and
- ► 2.2% for fire insurance covering property located elsewhere in Arizona.

For **Line F1**, enter the amounts of mono-line fire insurance coverage specific to property located in Carefree and Fountain Hills, and specific to other property located in Arizona.

For **Lines F2, F4, F6, F8 and F10,** report the total amounts of various types of premiums (allied lines, farmowners, homeowners, etc.).that the insurer transacted in Arizona.

For Lines F3, F5, F7, F9 and F11, report the portions of F2, F4, F6, F8 and F10 (respectively) **that are attributable to fire risk**. *For example, homeowners insurance typically includes fire insurance coverage. Determine an appropriate amount of your homeowners premiums that are attributable to fire insurance coverage and report it on Lines F5a and Line F5b.*

If the **"Difference"** column for **Lines F16a and F16b** is not $0.00, you must include a written explanation and supporting documentation.

Section G

SECTION G calculates the "additional tax" on insurance covering vehicles per ARS § 20-224.01.

For **Line G9**, enter the total insurance coverage shown for lines 19.1 through 19.4, and 21.1 and 21.2 of the Annual Statement State Page Exhibit. This amount should represent the premiums covering vehicles that are principally garaged in Arizona.

For **Lines G1, G3, G5, G7 and G10,** report the total amounts of various types of premiums (farmowners, homeowners, commercial multiple peril property, etc.) that the insurer transacted in Arizona.

For **Lines G2, G4, G6, G8 and G11,** report the portions of G1, G3, G5, G7 and G10 (respectively) **that are attributable to vehicle coverage**. *For example, many commercial multi-peril policies will provide coverage of owed or leased vehicles. Determine an appropriate amount of your commercial multi-peril property*

coverage attributable to vehicle insurance coverage and report it on Line G6.

If the **"Difference"** column for **Line G16** is not $0.00, you must include a written explanation and supporting documentation.

Section H

SECTION H requires you to report information that you filed with the Industrial Commission of Arizona ("ICA"). **If you are a foreign or alien insurer AND if the "Difference" column for Line H3 is not $0.00, provide a photocopy of the report you filed with the ICA marked "COPY."**

Section J

For **Lines J1** and **J2**, include all property and casualty premiums INCLUDING fire and vehicle insurance premiums that you reported in Sections F and G., but EXCLUDING workers compensation premiums you reported in Section H.

The amount you enter on **Line J1** is excluded from tax calculations but will be used to understand the information you provide for **Lines J2** and **J3**.

If your entries in Form E-TAX-PAM (see Line E3) show you used the same method to allocate premiums among states for annual statement reporting as for premium tax reporting, the amount on Line J2 should match the amount on Line J1.

For **Line J9**, only report insurance premiums for crop or hail coverage that are reinsured by the Federal Crop Insurance Corporation.

If the **"Difference"** column for **Line J10** is not $0.00, you must include a written explanation and supporting documentation.

Section K

Line K1 will show the correct credit amount in the "Correct Amount" field based on the type of insurer.

Line K2 should be $0. If not, send e-mail to Scott Greenberg with the Arizona Department of Insurance at sgreenberg@azinsurance.gov explaining why you believe the amount should not be $0. Do not include an amount other than $0 unless you receive written permission from the Department of Insurance.

If the "Difference" column for **Line K3** is not $0, you must submit as part of your filing the Form E-ZONE workbook on CD-ROM.

If the "Difference" column for **Line K4** is not $0, you must submit as part of your filing the Form M-ZONE workbook on CD-ROM.

If the "Difference" column for "**Line K5** is not $0, you must submit as part of your filing an updated **Schedule STO** and a copy of each document from the Department of Revenue showing their "APPROVAL" of your corporate income tax credit for donations to school tuition organizations (ARS § 43-1183) or the credit for disabled/displaced students (ARS § 43-1184).

Schedule RT

Completed only by foreign/alien insurers:

For **Part A**, based on the business you conducted in Arizona, first complete ALL the tax report(s) that an Arizona-domiciled insurer would provide to your domicile as a foreign insurer doing business EXCEPT ►do not complete retaliation schedule (assume $0 for retaliation) and ►do not complete tax reports that an Arizona-domiciled insurer would provide to counties, cities, towns or other municipalities or districts within your state, *which is addressed with Part B*. Note that some states require Arizona insurers to file more than one type of tax report (for example, some states require Arizona insurers to pay premium taxes, corporate income taxes and perhaps a separate workers' compensation tax).

In the spaces provided in Schedule RT, Part A, describe each tax or tax return in the "Name/Description" column and enter the tax liability from each tax return in the spaces provided. Provide a copy of each *pro forma* tax return as part of your filing. The amounts you enter will automatically sum.

Part B will automatically calculate based on the insurer's domicile and whether the insurer is authorized to transact life insurance in Arizona, as entered in Section A of the report.

Part C only applies to insurers domiciled in states that charge fees to appoint, renew or terminate insurance producers. If applicable, complete Part C with information concerning all insurance producers the insurer employed, contracted with or otherwise utilized at any time during the tax year.

For **Part D**, use information provided on your domicile's tax report(s), information in your domicile's fee schedules and other information to identify and report the fees and assessments that your domicile would have assessed on an Arizona-domiciled insurer that conducted the same business in your domicile as you conducted in Arizona.

For **Parts F and G,** use information from your cash disbursement records to identify assessments, fees and taxes you paid to the State of Arizona during the calendar year covered by the Report.

If you are reporting an "Other" assessment or fee, describe it next to the word "Other" and include a copy of the assessment/fee invoice(s) that you paid during the tax year that you did not submit with a previous report filing.

Parts H through L automatically calculate.

Schedule N

If the insurer had a premium tax liability of $2,000 or more, the insurer must make payments during the subsequent year. ARS § 20-224(E). Therefore, a change in the insurance premium tax liability for one year can change the installments owed in the next year.

Part A shows the calculation of the installment payments due.

In **Part B**, for each "Installment Due" date, enter the date you paid the installment and the amount you paid. If you underpaid your current-year installments but appear to be eligible for a refund from the prior (tax) year, the "Payment from Tax Refund" column will contain amounts that will be deducted from your tax refund to pay toward your installment payments due. The "Difference" column shows the installment payment due ("Correct Amount" column) minus the amount you paid minus payment from a tax refund (if applicable). If the total of the "Difference" column is greater than $0.00, it will be added to the amount that you owe in E-TAX-ALT Section C.

Schedule P

Schedule P shows the calculation of civil penalty and interest you may owe if the total amount of taxes, fees, retaliation and installments shown in the **"Difference"** column in Section C, Line C23 is greater than $0.00.

Your Right to Appeal

APPLICABLE ONLY IF YOU OWE A CIVIL PENALTY OR INTEREST IN SECTION C, LINE 20.

If Section C, Line C20 has calculated that you owe a civil penalty or interest, this constitutes a determination by the Department that is appealable under ARS § 41-1092. You have the right to request a hearing on this determination by filing a request for hearing. Your request must be received by the Department at the address listed below within **30 days** of your submission of this form. If we receive your request for hearing **after** the 30-day period, we will not accept it unless you can show that you had good cause to file it late.

To Request a Hearing:

Send us a written request for hearing that includes the following:

- your company name and NAIC number as the party appealing our determination;
- your company address;
- that you are appealing the determination made by Form E-TAX-ALT; and
- the reason(s) you are appealing the Department's determination as concisely as possible

The Office of Administrative Hearings will schedule your hearing. We will ask that they schedule it within 60 days after we receive your hearing request. Hearings can be rescheduled if: 1) you or the Department can show good cause to advance or delay the hearing; or 2) we both agree to advance or delay the hearing. We will send you a "Notice of Hearing" <u>at least</u> 30 days before the hearing, which will tell you the date, time and

location of the hearing as well as the issues that the hearing will address and/or resolve.

To Request a Settlement Conference:

If you request a hearing, you may also request an "informal settlement conference" by sending us a written request. You may request an informal settlement conference at any time but **not later than 20** days before the scheduled hearing. We will hold the conference at our office within 15 days after we receive your written request. We will have a person with the authority to act on behalf of the Department present. If we do not settle the case, please note that you waive all objections to our representative participating in the final administrative decision of your matter.

You must address your hearing request or informal settlement conference request to:

Attn: Scott B. Greenberg, Chief Operating Officer
Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, Arizona 85018-7269

Even if you request a hearing, you must still pay your tax obligation to avoid accruing further interest assessments.