

Supplement to 2001-04

The following Advisory Opinion is to advise the reader of the current position of the Kentucky Department of Insurance (the "Department") on the specified issue. The Advisory Opinion is not legally binding on either the Department or the reader.

Kentucky Department of Insurance

Supplement to Advisory Opinion 2001-04

TO: ALL INSURERS SUBJECT TO KENTUCKY LOCAL GOVERNMENT PREMIUM TAXES

FROM: JANIE A. MILLER, COMMISSIONER OF INSURANCE

RE: SUPPLEMENT TO 2001-2002 KENTUCKY LOCAL GOVERNMENT PREMIUM TAX SCHEDULE AND LISTING OF PAYEES AND ADDRESSES REGARDING COUNTY CREDIT/OFFSET OF CITY TAXES

DATE: MAY 15, 2001

In the 2000 Kentucky General Assembly, the Legislature passed SB 163. This bill amended Subsection (12) of KRS 91A.080 Local Government (Municipal) Insurance Premium Tax as follows:

(12) **(a)** Insurance companies which pay license fees or taxes pursuant to this section shall credit city license fees or taxes against the same license fees or taxes levied by the county, when the license fees or taxes are levied by the county on or after July 13, 1990.

(b) If a county imposed and collected the license fee or tax authorized by this section before July 1, 2000, then insurance companies that pay license fees or taxes under this section shall not credit against the county license fee or tax that portion of a city license fee or tax that becomes effective for the first time on or after July 1, 2000, or is increased effective on or after July 1, 2000. The provisions of this paragraph shall expire on June 30, 2002, unless extended by the General Assembly.

This may be potentially confusing for some tax preparers because part of a tax on any given line may be subject to the credit/offset and another part of the tax (i.e. the increase) will not. Also, certain lines may be subject to the credit where other lines will not be. Therefore, we have listed the counties where SB 163 is an issue with explanations. THESE EXPLANATIONS ARE FOR RISKS LOCATED IN THE CITY AFTER THE CREDIT/OFFSET HAS BEEN TAKEN INTO CONSIDERATION. RISKS IN THE COUNTY ARE SUBJECT TO THE NORMAL RATES.

Jefferson County/City of Bancroft—Jefferson County has a tax rate of 5% for all lines (except health). The City of Bancroft has assessed a premium tax of 5% for all lines (including health). This is a new tax for Bancroft (it has never had any tax before). Therefore, there is no credit/offset against county taxes for city taxes.

For risks located in the City of Bancroft the following tax rates apply:

City tax: Bancroft receives 5% for all lines (including health).

County tax: Jefferson County receives 5% for all lines (except health).

Aggregate City & County tax: 10% on all lines (except for health); 5% on health.

Hopkins County/ City of St. Charles—Hopkins County has a tax rate of 10% for all lines (except health). The City of St. Charles has assessed a premium tax of 5% for all lines of business (including health). This is a new tax for the City of St. Charles.

For risks located in the City of St. Charles the following tax rates apply:

City tax: St. Charles receives 5% for all lines (including health).

County tax: Hopkins County receives 10% for all lines (except health).

Aggregate City & County tax: 15% for all lines (except for health); 5% for health.

Hopkins County/ City of Earlington—Hopkins County has a tax rate of 10% for all lines (except health). The City of Earlington changed its rates from 6% to 10% on all lines.

For risks located in the City of Earlington the following tax rates apply:

City tax: Earlington receives 10% on all lines of business (including health).

County tax: Hopkins County receives 4% on all lines (except health).

Aggregate City & County tax: 14% for all lines (except health); 10% for health.

Hopkins County/ City of White Plains—Hopkins County has a tax rate of 10% for all lines (except health). The City of White Plains changed its rates to 10% for all lines (except life & health). Previously, White Plains had a rate of 10% on Fire and Allied Perils, 3% on Casualty, 3% on Vehicle, 3% on Inland Marine, and 3% on all other lines.

For risks located in the City of White Plains the following tax rates apply:

City tax: White Plains receives 10% on all lines of business (except life & health).

County tax: Hopkins County receives 0% on Fire and Allied Perils, 7% on Casualty, 7% on Vehicle, 7% on Inland Marine, 10% on Life, and 7% on all other lines.

Aggregate City & County tax: 10% on Fire and Allied Perils, 17% on Casualty, 17% on Vehicle, 17% on Inland Marine, 10% on Life, and 17% on all other lines.