

**Florida Department Of Revenue
Tax Information Publication**

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**FLORIDA LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION (FLAHIGA)
REFUNDS AND RE-ASSESSMENTS THAT RESULT IN REFUNDS**

When FLAHIGA refunds money to an insurer from a previous assessment, and the insurer has claimed credit against its insurance premium tax or corporate income tax, the insurer is required to pay back part of that refund to the Department of Revenue. Schedule XVII has been added to the insurance premium tax return (Form DR-908) as a way to collect these monies. The examples below detail the computation of the amount of the refund, if any, that should be paid to the Department of Revenue.

Section 631.72, Florida Statutes (F.S.), provides for a credit against the insurance premium tax or corporate income tax for the Class B and C assessments that an insurer pays to FLAHIGA. Currently, Class B and C assessments paid during tax years 1983 through 1996 are credited at a rate of .001 per year until the insurer receives credit for the entire FLAHIGA Class B and C assessment paid. Class B and C assessments paid during tax year 1997, and each tax year thereafter, are currently credited at a rate of .05 per year until the insurer receives credit for the entire FLAHIGA Class B and C assessment paid.

Subsection 631.72(3), F.S., provides that any sums acquired by refund pursuant to Section 631.718(6), F.S., from the association (FLAHIGA) which have been written off by contributing insurers and offset against insurance premium taxes or corporate income taxes as provided in subsection 631.72(1), F.S., shall be paid by the insurer to the Department of Revenue for deposit with the Treasurer to the credit of the General Revenue Fund.

Example .001 Rate

ABC Insurance Company paid a \$200,000 FLAHIGA Class B and C assessment in 1995. On its 1997 through 2001 insurance premium tax returns, ABC claimed FLAHIGA credits of \$200 ($\$200,000 \times .001$) each year for its 1995 payment to FLAHIGA. The total FLAHIGA credit taken by ABC, based on the 1995 FLAHIGA assessment, was \$1,000 ($\200 for 5 years). In 2002, FLAHIGA issued ABC a refund of \$40,000 from the 1995 assessment. Per Section 631.72(3), F.S., a \$200 payment is due the Department of Revenue in 2002 from that refund ($\$40,000 \times .001 \times 5$ years). The \$200 that is due to the Department of Revenue is a repayment of the FLAHIGA credits that the insurer had already claimed in tax years 1997 through 2001 against its insurance premium tax or corporate income tax for the \$40,000 that was refunded by FLAHIGA. For tax years 2002 and thereafter, ABC should only use a payment of \$160,000 to FLAHIGA for its 1995 assessment when computing its FLAHIGA credit on Schedule VII of the insurance premium tax return (DR-908) or on Schedule V of the corporate income tax return (F-1120).

Example .05 Rate

ABC Insurance Company paid a \$300,000 FLAHIGA Class B and C assessment in 1998. On its 1999 through 2001 insurance premium tax returns, ABC claimed FLAHIGA credits of \$15,000 ($\$300,000 \times .05$) each year for its 1998 payment to FLAHIGA. The total FLAHIGA credit taken by ABC, based on the 1998 FLAHIGA assessment, was \$45,000 ($\$15,000$ for 3 years). In 2002, FLAHIGA issued ABC a refund of \$30,000 from the 1998 assessment. Per Section 631.72(3), F.S., a \$4,500 payment is due to the Department of Revenue in 2002 from that refund ($\$30,000 \times .05 \times 3$ years). The \$4,500 that is due to the Department of Revenue is a repayment of the FLAHIGA credits that the insurer had already claimed in tax years 1999 through 2001 against its insurance premium tax or corporate income tax for the \$30,000 that was refunded by FLAHIGA. For tax years 2002 and thereafter, ABC should only use a payment of \$270,000 to FLAHIGA for its 1998 assessment when computing its FLAHIGA credit on Schedule VII of the insurance premium tax return (DR-908) or on Schedule V of the corporate income tax return (F-1120).

From the examples above, the total amount that ABC is required to pay under Section 631.72(3), F.S., to the Department of Revenue in 2002 is:

$\$40,000$ (1995 FLAHIGA refund) $\times .001 \times 5$ years = \$ 200.00

$\$30,000$ (1998 FLAHIGA refund) $\times .05 \times 3$ years = 4,500.00

TOTAL DUE = \$4,700.00

[\$4,700 would be entered on Schedule XVII of the 2002 insurance premium tax return (DR-908).]

The amount of payment due from FLAHIGA refunds should be based on the actual FLAHIGA credits taken by the insurer against its insurance premium tax or corporate income tax that were the result of the previous corresponding FLAHIGA assessment(s). If an insurer did not claim a FLAHIGA credit based upon the previous corresponding FLAHIGA assessment(s), no payment is required.

- * The amount of the payment due from FLAHIGA refunds is not considered when determining whether the proper installments of tax were paid for the tax year.
- * The amount of the payment due from FLAHIGA refunds is not included in the computation of the 27% exception for installment payments (see instructions for DR-908) in the following tax year.
- * Like the FLAHIGA assessments, the FLAHIGA refund and the payment due from the FLAHIGA refund may not be included in the retaliatory tax computation.

References: Section 631.72, Florida Statutes

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit our Internet site at www.myflorida.com/dor. Or call Taxpayer Services, 8:00 a.m., to 7:00 p.m., ET, Monday through Friday, excluding holidays, at 800-352-3671 or 850-488-6800.

Hearing- or speech-impaired persons should call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

To receive a fax copy of a form, call 850-922-3676 from your fax machine telephone.