

Minnesota revenue notice

Revenue Notice # 94-06 Gross Premium Tax--Cash Surrender Value

Revenue Notice #94-06 has been corrected by Revenue Notice #07-05.)

General Information:

Minnesota Statutes Section 60A.15 requires that insurance companies pay a tax on the gross premiums received from their insurance customers.

Life insurance policy premiums are payments of stated amounts by the insurance customers over a period of years in return for which the insurer creates an immediate estate in a fixed amount in the event of the insurance customer's death while the policy is in good standing.

The cash surrender value of a life insurance policy is the amount accumulated and held in reserve (excess of net level premiums over the cost of insuring the policyholder for the time the policy was in force), less a surrender charge, if any, plus interest, available to the owner of the policy upon termination or cancellation of the policy before death.

Life insurance policies may be transferred tax-deferred from one life insurance company to another according to Internal Revenue Code §1035.

Cash surrender value of transferred life insurance policy is not a premium.

The cash surrender value received by a life insurance company on the exchange of a life insurance policy issued by another life insurance company does not constitute a premium, and therefore is not subject to the gross premiums tax in the hands of the transferee.

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