

Minnesota Nonadmitted Insurance Tax Bulletin

To: Licensed Surplus Lines Brokers
From: Minnesota Department of Revenue
Date: January 27, 2014
Re: Contract Fees Subject to Nonadmitted Insurance Tax

In 2010, the Minnesota Legislature amended the definition of “gross premiums” for nonadmitted insurance to include premium deposits, assessments, fees, and any other compensation a broker receives for a contract. The gross premium does not include the stamping fee and the operating assessment charged by the Surplus Lines Association of Minnesota.

Some surplus lines brokers have agreements or contracts where a fee is paid in place of a commission on nonadmitted insurance policies. This fee is subject to the Nonadmitted Insurance Premium Tax.

If you are a broker who receives a fee in place of a commission, you must include the fee on Form IG260, *Nonadmitted Insurance Premium Tax for Surplus Lines Brokers*.

If your agreement or contract includes both admitted and nonadmitted insurance policies, you must calculate how much of the fee was paid for the nonadmitted policies and report that amount as part of the gross premiums for the Nonadmitted Insurance Premium Tax.

One way to determine the fee is to figure the difference between the gross surplus lines premium that you would have collected if your commission was included and the net premium you actually collected.

If you cannot determine a commission rate, you can approximate the rate based upon your company's practice or history. Note that any other allocation method you use must be in compliance with Minnesota Statute 297I.01, subd. 9(d).

If you have any questions, contact us at insurance.taxes@state.mn.us or 651-556-3024.

