



FINANCIAL SERVICES

- Insurance Tax Bulletin

PRICEWATERHOUSECOOPERS 

Kentucky Insurance Premium Tax Provisions Amended May 1, 2008

Alert Number: 08-42

Legislation has been enacted to amend provisions that permit local governments in Kentucky to impose and collect insurance gross premium taxes.

The amendments require insurance companies to use an electronic risk location system, establish rights for policyholders billed for the tax, shorten the statute of limitations for refund requests, permit local governments to conduct tax audits and impose penalties for unpaid tax, create a local tax advisory council, permit counties to impose the tax countywide or only on unincorporated portions of the county, and authorize a fee for state administration of the taxes.

Under this new legislation, effective for tax periods beginning after 2009, if the total policies issued and renewed by an insurance company in Kentucky in the preceding calendar year is more than 2,000, the insurance company must use a verified electronic risk location system to identify correct local taxing districts. Before December 31, 2008, insurance companies must also notify policyholders that past and future premium charges may include a local tax and that information for requesting a refund may be obtained by contacting the insurance company. The legislation also outlines procedures for insurance companies that request a refund of local insurance gross premium. In addition, the legislation imposes the penalties for local insurance premium tax that is not paid within 30 days after the due date, and penalties on tax refunds of insurance companies that fail or are unable to comply with the verified electronic risk location system requirements.

Effective for tax periods beginning after 2008, the limitations period for all amended returns, refund requests, and audits for local insurance premium taxes is two years from the due date of the annual return. In the case of the fraudulent failure to file a return or the filing of a fraudulent return, there is no time limit for assessments or audits. The limitations period also does not apply to any refund or assessment that is affected by litigation pending on the effective date of the implementing legislation.

PwC Observes: Insurers doing business in Kentucky should review this legislation in further detail and contact their tax professional to determine whether this will impact their business.

For additional information please call Anthony DiGilio at (202) 414-1702 or contact your local insurance tax professional. Please visit us at: <http://www.pwc.com/us/insurance/tax>

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