

Insurance Corporations

Taxability of Premium Payment Charge

Question: Is a flat fee service charge for installment payments charged by an insurance company includable as a taxable premium for the purpose of the premium tax imposed by section 1510(a) of Article 33 of the Tax Law?

Answer: Yes, section 1510(c)(1) of Article 33 of the Tax Law defines the term "premium" as follows:

"The term 'premium' includes all amounts received as consideration for insurance contracts or reinsurance contracts, other than for annuity contracts, and shall include premium deposits, assessments, policy fees, membership fees, and every other compensation for such contract." (Emphasis supplied)

The flat fee service charge imposed by the insurer on the insured for paying the insurance in installment payments would fall within the definition of "premium" of Section 1510(c)(1) of the Tax Law. Therefore, the flat fee service charge is includable in the computation of taxable premiums for the purpose of the premium tax imposed by Section 1510(a) of the Tax Law.