

Structural Insurance Premium Tax Expenditures



OFFICE OF THE STATE AUDITOR

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C O L O R A D O

Colorado levies a 2 percent insurance premium tax on the premiums insurers collect from policyholders in the state. The Structural Insurance Premium Tax Expenditures help define the State’s system for taxing insurers and establish the amount of premiums that are subject to the insurance premium tax. The tax expenditures include:

- The Insurance Premium Income Tax Exemption, which exempts insurers from the State’s corporate income tax.
- The Return Premium and Early Termination Deductions, which allows insurers to deduct premiums that they later refunded to policyholders when calculating the premium amount that is subject to the premium tax.
- The Reinsurance Deduction, which exempts reinsurance (i.e., insurance premiums assumed by another insurer) from the premium tax.

Together these expenditures prevent the double taxation of insurers and define the premiums that are taxable in Colorado.

The Structural Insurance Tax Expenditures are meeting their purpose because insurers are generally aware of and using them.

Insurers and the Division of Insurance reported that these tax expenditures are commonly used in Colorado and we found that they are also common in other states. Insurers account for refunded and returned premiums, as well as reinsurance as part of their financial reporting processes. Therefore, the state deductions are already subtracted from total premiums prior to reporting their taxable premiums to the Division of Insurance.

Policy Considerations

We did not identify any policy considerations in this evaluation.

	Insurance Premium Income Tax Exemption	Return Premium Deduction	Early Termination Deduction	Reinsurance Deduction
Tax Type:	Income	Insurance Premiums	Insurance Premiums	Insurance Premiums
Expenditure Type:	Exemption	Deduction	Deduction	Deduction
Statutory Citation:	Section 39-22-112(1), C.R.S.	Section 10-3-209(1)(a), C.R.S.	Section 10-3-209(1)(a), C.R.S.	Section 10-3-209(1)(a), C.R.S.
Year Enacted:	1937	1913	1973	1913
Repeal/Expiration Date:	None	None	None	None
Revenue Impact:	We could not determine	We could not determine	We could not determine	We could not determine
Purpose given in statute or enacting legislation? No				

