BULLETIN

TO: All Property & Casualty Insurers Licensed in Alabama

FROM: Walter A. Bell, Commissioner

SUBJECT: Premium Tax, Alabama Real Property Investment Credit

DATE: March 9, 2006

Two questions have arisen on multiple occasions regarding the Alabama Real Property Investment Credit property and casualty insurers may take against their premium tax liability on insurance written in this state as set forth in paragraph d. of subdivision (3) of subsection (a) of Section 27-4A-3, Code of Alabama 1975. The department's position in regard to these questions is as follows:

1. When calculating the Alabama Real Property Investment Credit an insurer may aggregate or combine the value of qualifying real property investments of all affiliated companies that meet the affiliation requirements set forth in Section 27-4A-3(3)(d).3.(i). The amount of the Alabama Real Property Investment Credit may then be calculated using this aggregated or combined real property investment value. The credit calculated using the aggregated or combined value may then be allocated or apportioned among the affiliated companies in any manner desired so long as the following two requirements are met.

   • The amount allocated to any particular affiliate shall not exceed the statute's limitation of 1% of the amount of the premium written by that particular insurance company affiliate.
   • The combined total of all credits taken by the various affiliated companies shall not exceed the total credit calculated using the aggregated real property investment values.

   The Alabama Real Property Investment Credit is for one amount whether calculated individually or on an aggregated basis and it is this one amount that can be apportioned or allocated between or among the affiliated companies. Each affiliate may not take the full amount of the calculated credit as this would, in effect, impermissibly multiply the amount of the calculated credit by the number of affiliates.

2. Section 27-4A-3(a)(3)(d.2)(i) limits the investment credit to real property owned by an insurer or an affiliate of the insurer. The term "affiliate" is defined as a "business entity wholly owned by the insurer subject to [the premium tax]" or any other insurance company and its wholly owned subsidiaries that are under common control and management. Ala. Code §27-4A-3(a)(3)(d.3.)(i) (Cum. Supp. 2004). Consequently, real estate owned by a partnership could qualify, but only if all the partners were wholly owned by the insurance company or any other insurance company and its wholly-owned subsidiaries that are under common control and management.

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