

IT-20 Schedule 7-A

(Rev. 9-98)

State Form 49096

Indiana Department of Revenue

**Gross Income Tax Schedule for Domestic Property
and Casualty or Mutual Assessment Life Insurance Company**
FOR TAX YEAR ENDING _____

Use this schedule to calculate the gross earnings and other gross receipts of certain insurance carriers. See definition of terms on reverse. Complete all applicable sections. Attach completed schedule to Indiana corporation income tax return, Form IT-20.

Name of Company	Federal Identification Number
State of Incorporation	Date of Organization
Type of Organization: ☐ Mutual ☐ Stock ☐ Other, specify: _____	Indiana Taxpayer Identification Number

Part 1 Computation of Gross Earnings Income for Tax Year**Premium Income**

- | | | | |
|---|----|-----|--|
| 1. a. Gross Taxable Indiana premiums (less return premiums on policies canceled or not taken) | 1a | | References from Annual Statement
(Schedule T, p. 137) |
| b. Deduct: Policy dividends paid or credited to policyholders | 1b | () | (Schedule T, column 4) |
| 2. Total net premium income (sum of lines 1a and 1b) | 2 | | |

Investment Income (on annual basis)

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|--|----|-----|---------------------------------------|
| 3. a. Interest & dividends from all sources | 3a | | (Part 1, col. 3, line 10, p. 6) |
| b. Deduct: Accrual of discount amortization | 3b | () | (Part 1, below line 15) |
| c. Add: Accrual of premium amortization | 3c | | |
| 4. Deduction for Nontaxable U.S. Government and Indiana interest from part 3 | 4 | () | Complete Part 3 on reverse |
| 5. a. Gross rents from real estate rentals in Indiana | 5a | | (Part 1, p. 6 & Sch. A, p. 24) |
| b. Deduct: Rental amount reported for own occupancy..... | 5b | () | (Part 1, Sch. A, col. 14, p. 24) |
| 6. Gross earnings from Gain from disposal of intangible assets | 6 | | (Part 1A, p. 6 & Sch. D, Parts 4 & 5) |
| 7. Gross earnings from Gain from disposal of Indiana tangible assets | 7 | | (Sch. A, Part 3 Verif., p. 25) |
| 8. Total taxable investment income (sum of lines 3 through 7) | 8 | | |

Receipts from Other Sources Used to Maintain Reserves (designated to support policy losses)

- | | | | |
|---|--------|--|--------------------------|
| 9. Other intrastate miscellaneous gross receipts (List description below): | Amount | | (Sch. T, col. 8, p. 137) |
| a. _____ | | | |
| b. _____ | | | |
| 10. Total miscellaneous gross receipts used to maintain reserves (sum of amounts on line 9) | 10 | | |
| 11. Total premiums, investment income and other receipts subject to reserve adjustment (add lines 2, 8 and 10)..... | 11 | | |

Deduction for Amount Placed on Reserve (Annual Statement, page 3)

- | | Column A
Beginning of Tax Year | Column B
End of Tax Year |
|--|-----------------------------------|-----------------------------|
| 12. Reserve Liabilities: | | |
| a. Losses | | |
| b. Loss adjustment expenses | | |
| c. Unearned premiums | | |
| Other Policy Liabilities: | | |
| a. Excess of statutory reserves over statement reserves for bodily injury | | |
| b. Ceded reinsurance balance payable | | |
| c. Reinsurance pooling agreement payable | | |
| d. Others, please specify: _____ | | |
| 13. Total liabilities (add lines 12 column A and B) | 13A | 13B |
| 14. Total average all of liabilities (add lines 13A and 13B, divide sum by 2) | 14 | |
| 15. Admitted Assets: (Annual Statement, page 2) | 15A | 15B |
| 16. Average of admitted assets (add lines 15A and 15B, divide sum by 2) | 16 | |
| 17. Reserve percentage of total liabilities to admitted assets and other policy liabilities (divide line 14 by line 16)..... | 17 | % |
| 18. Deduction for reserves (multiply line 11 by reserve percent in line 17) | 18 | |
| 19. Total taxable gross earnings (subtract line 18 from line 11) | 19 | |

Part 2 Summary of Computations for Taxable Gross Income

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|---|----|--|
| 20. Other miscellaneous gross receipts of (high rate) income not used for reserves (Part on reverse, Column A)..... | 20 | |
| 21. Total gross earnings and other miscellaneous gross receipts (add lines 19 and 20) | 21 | |
| Carry total on line 21 to 14A of Form IT-20 | | |
| 22. Total other miscellaneous gross receipts of (low rate) income not used from reserves (Part 4, Column B)..... | 22 | |
| Carry total on line 22 to 14B of Form IT-20 | | |

Part 3 Computation of Nontaxable Interest Derived from U.S. Government and Indiana Obligations

All references to Schedule D and DA are from the Annual Statement (1996), as filed with the Indiana Department of Insurance.

(Parts 2 and 6 of Schedule D have no bearing on this computation).

Schedule D - Part 1: Long-term bonds and stocks owned and held on December 31 of current year (p. 36, column 9.2)

- (1) Interest from U.S. Government obligations owned on December 31.....
- (2) Deduct: Interest from non-direct obligations of the U. S. Government included above (e.g. FNMA).....
- (3) Interest from bonds of Indiana municipalities and political subdivisions owned on December 31.....

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Schedule D - Part 3: Accrued interest on long-term bonds and stocks acquired during year (p. 39, column 7)

- (4) Deduct: Amount paid for accrued interest on U.S. Government and Indiana obligations acquired during year.....

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Schedule D - Part 4: Long-term bonds and stocks disposed of during year (p. 40, column 13)

- (5) Interest from U.S. Government obligations disposed of during year
- (6) Interest from bonds of Indiana municipalities and political subdivisions disposed of during year).....

Schedule D - Part 5: Long-term bonds and stocks acquired and disposed of during the current year (p. 41, cols. 14 & 15)

- (7) Interest from U.S. Government obligations acquired and disposed of during the current tax year
- (8) Interest from bonds of Indiana municipalities & political subdivisions acquired & disposed of during the current tax year
- (9) Deduct: Amount paid for accrued interest on U.S. Government and Indiana obligations acquired and disposed of during the current year

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Schedule DA - Part 1: Short-term investments owned on December 31 of current year

- (10) Interest from short-term investments in U.S. Government and Indiana obligations (Schedule DA, page 43)
- (11) **Total Nontaxable Interest** (sum of lines 1 through 10). *Carry to Part 1, line 4 of Schedule 7-A*

Part 4 Receipts of Miscellaneous Income Not Used for Reserves

List description and amount of other intrastate gross receipts not used in maintaining reserves:	Col. A - High Rate Receipts	Col. B - Low Rate Receipts
Total of Part 4 Column A miscellaneous receipts not used to maintain reserves (carry sum to Part 2, line 20).....		
Total of Part 4 Column B miscellaneous receipts not used to maintain reserves (carry sum to Part 2, line 22)		

Accounting Methodology and Definition of Terms for Computation of Gross Income of a Domestic Insurance Carrier.

Gross income, as it applies to property and casualty or mutual assessment life insurance companies organized under the insurance laws of Indiana, means the total gross earnings derived from premiums, interest, rents, dividends, commissions, including intrastate gains on the sale of bonds, real estate, securities, stocks and notes, and other earnings with respect to conducting the business of an insurance company that do not become or are not used to maintain a reserve or other policy liability, plus all other miscellaneous gross receipts. The reserve deduction is that percentage determined by the ratio that the average policy reserves and policy liabilities designated to support policy losses bears to the average of all admitted assets times gross earnings. Since prescribed statutory accounting principles (SAP) differ from both the cash and accrual method, the Department of Revenue requires insurance companies that elect to file gross returns use the cash basis for gross income tax purposes.

Gross earnings means gross receipts without any deductions for commissions, fees, interest or other expenses incurred. Other earnings with respect to conducting the business of an insurance company includes the difference between the purchase price and the selling price of all property, tangible and intangible, representing the investment of funds.

Taxable premiums do not include those premiums derived from doing business at a location outside of Indiana on which a domestic insurance carrier pays a premium tax of one percent or more on such out-of-state business, returned premiums or reinsurance assumed premiums on which a domestic casualty or fire insurance carrier pays a premium tax reimbursement of one percent or more to the ceding company.

Net premium income consists of taxable premiums for the tax year, including those premiums transferred under contracts of reinsurance, less premiums and policy dividends paid or credited without a deduction for reinsurance premiums paid to other companies. Property and casualty companies report premium income on the written basis, mutual assessment companies report premiums on the collected basis.

Gross investment income received from all sources for the tax year includes both taxable and nontaxable income, adjusted for amortization, as shown on the annual statement. Part 3 provides for the exclusion of interest derived from securities issued by the federal government and from bonds of Indiana municipalities or tax authorities. However, the gain from the sale of exempt obligations is taxable. Gain on an annual basis is determined by netting intrastate gains and losses. Rental income from the lease or rental of tangible personal property must be reported as taxable in Indiana in the absence of an out-of-state business location.

Deduction for amounts placed on reserves recognizes the liabilities that appear on page 31 of the annual statement titled "Liabilities, Surplus and Other Funds." Other policy liabilities shall be indicated separately on line 12 d. However, all other liabilities, accounts payable, accrued and deferred expenses such as contingent commissions, interest, taxes, dividends, etc. cannot be included in this computation.

Miscellaneous income received, which is used to maintain a reserve or other policy liability, is to be included in Part 1 and listed on line 9, using the gross earnings concept. Such income includes all intrastate commissions, finance and service charges not already included in premiums, fees and service from underwriting activities. Other income not directly connected with the business of insurance must be reported separately on Part 4. The high rate of tax is applied on such miscellaneous income as service charges on the use of computer facilities and the sale of capital assets like furniture, fixtures, and automobiles where proceeds are not used to maintain policy liabilities or other policy reserves. Low rate of tax is applied to receipts of selling at retail such as cafeteria and vending machine receipts.