



Nevada Division of Insurance

FAQ: "Premium Tax Audit"

What is "Premium Tax"? How much is it?

Pursuant to NRS 680B.025, Premium Tax is a tax levied by the State of Nevada on insurance companies doing business in this State. The Nevada Premium Tax rate is 3.5% of premiums written on policies and contracts covering property, subjects or risks located, resident or to be performed in this State. The Nevada Premium Tax rate for a Risk Retention Group (RRG), if qualified, is 2%. These rates are effective as of 2005. (Retaliatory statute, NRS 680A.330 requires you to use the higher tax rate charged by your domiciliary state, if applicable.)

Are there any deductions or credits my company can take?

Insurers are allowed certain deductions and credits against the tax; these include items like the Home Office Credit and Ad Valorem Credit. Please contact the Division of Insurance (the Division) for more information.

What happens to Insurance Premium Taxes my company pays?

Insurance Premium Tax revenues are deposited in the state's General Fund.

What is the Purpose of a Premium Tax Audit?

The primary purpose of a Premium Tax audit is to determine that insurers have reported and paid the correct amount of tax utilizing previously filed tax return documentation and insurer provided electronic records. The Division will review filing processes used in reporting to ensure the insurance premium tax is being remitted properly and collected accurately, equitably, and in accordance with all applicable laws and regulations.

Why is my company being audited?

An Executive Branch Audit Report No. 10-03, dated September 2009, recommended the implementation of an insurance premium tax desk audit program be initiated from the Division of Insurance by December 2011. The desk audit program was authorized in Assembly Bill 6, Section 65 by the 26th Special Session of the Legislature. All companies transacting insurance business in the State of Nevada may be subject to the audit.

What time period will the audits cover?

The Premium Tax audit will cover a span of seven (7) years.

What if my company does not currently write business in the State of Nevada?

If your company wrote no business during the audit period and you do receive a letter of audit request, please contact one of the division's auditors for instructions on how to proceed.

How do these taxes get collected?

The Department of Taxation (Department) is responsible for the general supervision and control over the State's revenue system. The revenue collected by the Department provides funding to all levels of government

including school districts, cities, counties, and the State. The mission of the Department is to provide fair, efficient, and effective administration of tax programs for the State of Nevada in accordance with applicable statutes, regulations, and policies.

What happens if my company is found to be deficient in paying Nevada Premium Tax?

Upon conclusion of its Premium Tax desk audit of your company a notice will be sent to the Department of Taxation (Department) outlining the Division's findings. The Department will invoice your company for all deficient Premium Tax due as well as assess any penalties and interest the Department deems applicable.

What do I do if I disagree with the Division's findings?

The Division's audit constitutes an examination under Nevada revised Statute 679B.230. If you disagree with the Division's findings you will be afforded an opportunity to respond to or rebut the findings before the examination is finalized.

What happens if my company chooses not to participate in the Premium Tax Desk Audit program?

The notice sent to your company by the Division constitutes a lawfully given Order by the Commissioner under NRS 679B.140. Failure to comply could result in penalties including (but not limited to) an administrative fine, revocation of your company's license, and/or referral to the Nevada Attorney General for prosecution.