

Bulletin 84-2

Premium tax payable on annuity considerations

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It appears that some life insurance companies are not paying premium taxes on annuity considerations when the money is collected from policyholders but are deferring payment until benefit payments begin.

SDCL 10-44-1(5) defines "consideration for annuity contracts," as "the gross amount of consideration received by such a company during the preceding calendar year for annuity contracts on lives of residents in this state less annuity considerations returned, termination allowances on group annuity contracts and so-called dividends on participating annuity contracts." From the wording of SDCL 10-44-1-(5), together with the interpretation of related cases on the subject, it is the opinion of the Division of Insurance that premium taxes are payable on annuity considerations, unless otherwise exempt, for the year that the consideration, however denominated, passes from the policyholder to the company.

Please be sure that this information is noted by individuals in charge of paying the premium tax to the State of South Dakota so that such taxes are paid in the correct manner.

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