

MAINE STATE LEGISLATURE

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No

STATE OF MAINE

Inter-Departmental Memorandum Date April 6, 1964

To Ernest H. Johnson, State Tax Assessor Dept. Bureau of Taxation

From Ralph W. Farris, Asst. Attorney General Dept. " " "

Subject Insurance Premium Tax

I received your memorandum with copies of correspondence between this office and the Deputy Receiver from the office of the Commissioner of Insurance of the State of Michigan relating to the Preferred Insurance Company of Grand Rapids, Michigan.

As you state, this company was denied renewal of its Maine license on July 1, 1963, by the Maine Insurance Commissioner, however, it did not file a return on or before March 1, 1964, reporting its business done in Maine for the calendar year 1963, as required by section 142, Chapter 16, Revised Statutes, 1954.

Under section 139 of said Chapter this is a tax imposed on a foreign company for the privilege of doing business in this State and is in addition to any other tax for this privilege, and this company should pay a tax upon all gross direct premiums in contracts written in Maine at the rate of 2% a year.

Upon the neglect of this company's receiver to file a return under section 142 for the year ending December 31, 1963, after being notified by this office we feel that the provisions of section 144 should be invoked as the company is liable for any 1963 tax and this office would be justified in making an assessment under said section 144, based upon 50% of tax liability as determined for last year.

I am returning the correspondence between Mr. Dillon and the receiver of the company as you requested.

I have checked the files in the Maine office of the Insurance Commissioner and found that this company failed to pay claims and return premiums on cancellation of policies as early as December, 1962.

RWF:epd



STATE OF MAINE

Inter-Departmental Memorandum Date April 2, 1964

To Delph W. Farris, Assistant Attorney General Dept. Bureau of Taxation

From Ernest H. Johnson, State Tax Assessor Dept. Bureau of Taxation

Subject Insurance premium tax

Preferred Insurance Company did business in this State until July 1, 1963. On that date the Insurance Commissioner declined to renew its license. The company was placed in receivership on January 31, 1964 by the Michigan Court. This is a foreign insurance company, taxable under section 139 of Chapter 16. That section says that such companies "shall, for the privilege of doing business in this State, and in addition to any other taxes imposed for such privilege" annually pay a tax on all gross direct premiums written on risks located in this State at the rate of 2% a year.

Section 144 of Chapter 16 states that if any insurance company refuses or neglects to make the return required by the law, the Assessor shall "make such assessment on such company or association as he deems just" and, if the tax is not paid on demand, shall certify to the Insurance Commissioner that payment has not been made, and the company shall do no more business in the State.

Preferred Insurance Company did not file with this office a return on or before March 1, as required by section 142 of Chapter 16. Mr. Dillon wrote to the company requesting the filing of such return, and on March 31, 1964 was informed by the receiver of the company that "The records which were an IBM are no longer available, and as a matter of fact Preferred is not even filing an annual convention form statement with the states." No tax return has been filed, and I gather from this letter that the receiver is indicating that no return will be filed.

Inasmuch as the premium tax is stated, in section 139, to be a tax "for the privilege of doing business in this State," and inasmuch as the company has not been licensed to do business in this State since July 1, 1963, is the company liable for any insurance premium tax this year, based upon gross direct premiums received during the year ending December 31, 1963?

If the company is liable for such tax, in view of the fact that the receiver has not filed a return with this office as required by statute, would this office be justified in making an assessment under section 144, based upon 50% of tax liability as determined for last year?

Attached hereto is the correspondence between Mr. Dillon and the receiver of the company, which we would like to have returned when you are done with it.

EHJ:L