

# THE SURPLUS LINE ASSOCIATION

OF CALIFORNIA

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NO. 340

BULLETIN TO ALL MEMBERS:

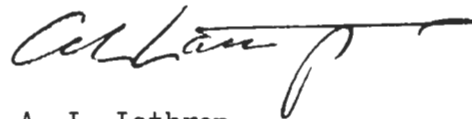
RE: Federal Tax

For many years it was an Association rule that the insured was to be charged the Federal Excise Tax on business filed with the Surplus Line Association. In negotiations in 1968 and 1969, Lloyd's elected to be subject to a U.S. Income Tax in lieu of the Excise Tax. This was later followed by similar election by Excess Insurance Company.

In view of the changes, our Association eliminated all reference to charging the insured and requested that the companies make allowance for the 4% tax. We were, however, unsuccessful in our efforts at that time.

We have now pursued this matter in collaboration with other Western Surplus Line Associations, and are pleased to report that the Lloyd's Insurance Brokers' Association is in agreement.

Copy of the letter circulated by that Association to all Lloyd's Brokers is attached. With the allowance obtained from London, you should have no further occasion to charge a Federal Tax to insureds. It will, of course, be necessary for you to remit the Federal Excise Tax to the Government as you have in the past.



A. L. Lathrop  
Manager

encs.

# LLOYD'S INSURANCE BROKERS' ASSOCIATION

A COMPANY LIMITED BY GUARANTEE

REGISTERED NUMBER 112847 ENGLAND

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SUBJECT	CLASSIFICATION
	AMERICA NO : 4/75
UNITED STATES SURPLUS LINE BUSINESS EMANATING FROM THE WEST COAST ( ARIZONA, CALIFORNIA, OREGON, UTAH AND WASHINGTON ) FEDERAL EXCISE TAX	REF / DATE AT/HSN 4.2.75

For many years it was the practice for much West Coast Surplus Line business that the 4% Federal Excise Tax was collected from the Insured and not from London Market Insurers.

This practice began to change when Lloyd's Underwriters ceased to be subject to Excise Tax on becoming liable for U.S. Income Tax and the Members of the various Surplus Line Associations on the West Coast have now consistently urged that Insurers not subject to U.S. Income Tax should be requested to make an allowance of 4% on all of their business in keeping with the procedure followed throughout the remainder of the United States.

The States concerned are :- Arizona, California, Oregon, Utah and Washington but it is understood that the practice of collection from the Insured also occurred in some instances in Idaho and Nevada.

Your Association has been informed that representatives of each of these States adopted the following Resolution at a Western States Surplus Line Conference in Seattle, Washington during 1974 :-

" RESOLVED, that the practice of allowance for federal tax by alien insurers on Eastern United States business without similar allowance on Western business is unfair and is opposed by this Conference "

The Resolution was later strengthened at Meetings of the various Executive Committees of the Surplus Line Associations and the following statement adopted by California is typical :-

" RESOLVED, that the practice of allowance for federal tax by alien insurers on Eastern United States business without similar allowance on Western business is unfair discrimination and is opposed by the Executive Committee of the Surplus Line Association of California. Allowance for federal taxes by such insurers should be made on California business ".

It is the view of your Association that these Resolutions be conveyed to all Lloyd's Brokers with a recommendation that if they are not already doing so then provision should be made on appropriate slips for an Excise Tax Allowance to be obtained in the future on all West Coast Surplus Line business other than that placed with Insurers subject to U.S. Income Tax.

A.A.Teale