



THE SURPLUS LINE ASSOCIATION
OF CALIFORNIA

388 MARKET STREET
SAN FRANCISCO, CA 94111

ARTHUR D. FREEMAN, JR.
MANAGER

JAMES S. PUGH
ASSISTANT MANAGER

TELEPHONE
(415) 434-4900
FAX
(415) 434-3716
TELEX
988719 SLACA

December 29, 1993

BULLETIN #621

BULLETIN TO ALL MEMBERS:

RE: SENATE BILL 625 - DIRECT PLACEMENT TAX

Effective January 1, 1994, SB 625 codifies Part 7.5 (commencing with Section 13201) of Division 2 of the Revenue and Taxation Code entitled the Nonadmitted Insurance Tax Law. This law imposes a new 3% tax on persons or entities who directly place insurance covering their own property or liability with nonadmitted insurers under Insurance Code section 1760. In addition, the bill amends Section 1760 to provide as follows:

Section 1760. (a) Any person may negotiate and effect insurance on his, her, or its own property with any nonadmitted insurer to indemnify against loss, damage or liability.

(b) Every person that effects insurance governed by this chapter shall pay the tax imposed by Part 7.5 (commencing with Section 13201) of Division 2 of the Revenue and Taxation Code.

The new tax will not apply to insurance currently subject to the 3% surplus line tax under Insurance Code section 1775.5 or special line insurance exempt from the surplus line tax under Insurance Code section 1760.5. See Rev. and Tax Code Section 13210 (a) (1).

The California Franchise Tax Board will administer and enforce the new tax. For additional information or forms regarding this tax, please contact Jeff McKenney or Rebecca Medina at the California Franchise Tax Board, tel. (916) 369-4900.

James S. Pugh
Assistant Manager

JSP/ljl