

FORM CPT-635 and Schedules Instructions

Vermont Captive Insurance Tax Return

GENERAL INFORMATION

A premium tax is imposed under 8 V.S.A. § 6014 on captive insurance companies licensed by the Commissioner, Vermont Department of Financial Regulation under 8 V.S.A. Chapter 141, Captive Insurance Companies.

Categories of Insurance Premiums Taxed

There are *two main categories of insurance premiums taxed* under 8 V.S.A. Chapter 141:

- **Direct Insurance:** The tax is based on direct premiums collected or contracted for on policies or contracts of insurance written during the calendar year, after deducting amounts paid as return premiums. No tax is due or payable for considerations received for annuity contracts. See 8 V.S.A. § 6014(a) for more details.
- **Reinsurance:** The tax is based on assumed reinsurance premiums. See 8 V.S.A. § 6014(b) for more details.

myVTax Tips

- You may save a return to finish later, or to get a signature. Click on “Edit” to make any changes. Once you are ready to submit the return, be sure to click on “Submit,” otherwise it will stay suspended. You will see an alert flag if the return has not been submitted.
- You MUST “Submit” the return or will not be considered filed and may be subject to penalties and interest as imposed by the Vermont Department of Taxes if after the March 15 due date.
- If you are not paying by ACH debit, to bypass the check be sure to click the check box on the payment page which states ‘Click here if you have already paid or would like to print a voucher to pay by paper check’.
- You MUST use the payment voucher when paying by paper check and mail in together to ensure proper payment processing once the electronic return is submitted.

Remember

- The return is due annually on or before March 15.
- DFR Captive Insurance requires copies of all returns (original and amendments) be submitted in accordance with their filing requirements for all Vermont domestic captives. <https://dfr.vermont.gov>.

Questions about law changes?

Please contact the Department of Financial Regulation, (802) 828-3304.

FORM CPT-635 Vermont Captive Insurance Tax Return

All captive insurance companies must complete the header information of the return, and answer questions A and B at the top of the return. The remaining portions of the return that must be completed depends on whether the return is for non-sponsored or sponsored captive insurance companies. Provisions relating to sponsored captive insurance companies generally, including definitions, qualification of sponsors, etc., are contained in 8 V.S.A. Chapter 141, Subchapter 2. For purposes of CPT-635, non-sponsored captives shall mean any other type of captive that is not a sponsored captive insurance company under 8 V.S.A. Chapter 141, Subchapter 2. The types of non-sponsored captives include, but are not limited to, pure captives, industrial insured captives, risk retention groups, association captives, agency captives, affiliated reinsurance companies, and special purpose financial insurance companies.

Non-sponsored captives

- Complete Form CPT-635, Vermont Captive Insurance Tax Return, page 1, Lines 1 through 6, to compute tax on direct premiums.
- Complete Form CPT-635, Vermont Captive Insurance Tax Return, page 2, Lines 7 through 12, to compute tax on assumed reinsurance premiums.
- The sum of the tax on direct premiums, from Line 6, and the tax on assumed reinsurance premiums, Line 12, is entered on Line 13, TOTAL TAX from non-sponsored captives, on CPT-635, Vermont Captive Insurance Tax Return.
 - If Line 13 is more than \$200,000, then the tax due for a non-sponsored captive is \$200,000 (the annual *maximum aggregate tax*).
 - If Line 13 is less than \$7,500, then the tax due for a non-sponsored captive is \$7,500 (the annual *minimum aggregate tax*)

Sponsored captives

- Complete Schedule CPT-637, Tax Calculation Schedule for Sponsored Captives. A separate Schedule CPT-637 must be completed for each individual protected cell, and for each combined cell. Any sponsored captive insurance company with more than one protected cell shall file more than one CPT-637 using “Add a Record” tab, the totals of which will be reported on CPT-635.

A screenshot of a software interface for adding a record. At the top, there are two tabs labeled 'Record1' and 'Record2'. Below the tabs, there are three buttons: 'Delete this Record', 'Copy row', and 'Add a Record'. The 'Add a Record' button is circled in red. Below the buttons, there is a text input field labeled 'Name of cell:' with a 'Required' label to its right. Below the input field, there are two radio button options: 'Combined Protected Cell' and 'Individual Protected Cell'. The 'Combined Protected Cell' option is selected.

- If protected cells are affiliated and can be “combined” due to common ownership and control, Schedule CPT-638, Supporting Schedule for Combining Individual Protected Cells, must also be completed for each such combined cell. Select the “Combined Protected Cell” circle.

A screenshot of the same software interface as above. The 'Add a Record' button is no longer circled. The 'Combined Protected Cell' radio button is now circled in red, indicating it is the selected option.

Then select the “Click here to fill out the required detail schedule for combined protected cells” hyperlink at the bottom of Schedule CPT-637.

4. Calculated Tax on Assumed Reinsurance Premium (from table is in instructions).

5. Cell Calculated Tax (Sum: Line 2 plus Line 4)

Click here to fill out the required detail schedule for combined protected cells Schedule Complete

Delete this Record Copy row Add a Record

Complete one Schedule CPT-638 for each combined cell, using the “Add a Record” tab for each cell in the combined cell.

CPT-638

**SUPPORTING SCHEDULE FOR COMBINING INDIVIDUAL PROTECTED CELLS
(CPT-638)**

PERIOD ENDING: 12/31/2015

[Click here for full form instructions](#)

Record1

Record1 Delete this Record Copy row **Add a Record**

Name of Cell

A. Direct Premium

B. Assumed Premium

Delete this Record Copy row Add a Record

OK Cancel

The totals on CPT-638 for combined protected cells under common ownership and control shall be summed and entered on CPT-637.

- Combined protected cells means individual protected cells whose premiums are combined for premium tax purposes due to common ownership and control, per 8 V.S.A. § 6014(e) and (f).
- The Cell Calculated Tax for each individual protected cell and for each combined cell, Line 5 on each CPT-637 completed, is summed and entered on CPT-635, Vermont Captive Insurance Tax Return, Line 14.
 - If CPT-637, Line 15, is more than \$200,000, then the tax due for each cell is \$200,000
 - If CPT-635, Line 14, is less than \$7,500, then the tax due for the sponsored captive insurance company is \$7,500

Deductions

CPT-635 and CPT-637 allow certain deductions against premiums written. For Assumed Reinsurance Premium, a deduction for pooling arrangements is allowed. The pooling arrangement must be part of a captive insurance company’s approved plan of operation. Companies shall file with the Vermont Department of Financial Regulation - Captive Insurance Division only, support for the pooling deduction taken, including, but not limited to, a statement from the pool manager citing the total premium assumed from the pool and the percentage of premium assumed from all Vermont captive insurance companies.

Tax Credits

CPT-635, Vermont Captive Insurance Tax Return, Lines 15 through 18 provide for tax credits for specific situations: first year of licensure in Vermont per 8 V.S.A. § 6014(k), second year of licensure in Vermont* (beginning with tax year 2017), after issuance of a Certificate of Dormancy per 8 V.S.A. § 6024(d), and Vermont Affordable Housing Tax Credit per V.S.A., Chapter 151, § 5930u(c).

***Note:** Automatic based on “Date first licensed to do business in Vermont (MMDDYYYY)”

Total Tax Due

Total Tax Due, Line 19 on CPT-635, Vermont Captive Insurance Tax Return, is then computed by adding the tax due for non-sponsored captives (Line 13) and/or the tax due for sponsored captives (Line 14), and subtracting the credits where applicable (Lines 15 through 18).

Combined Returns for Captive Insurance Companies under common ownership & control

Note that two or more non-sponsored captive insurance companies under common ownership and control as described in 8 V.S.A. § 6014(f) are taxed as though they were a single captive insurance company, and may file a combined return per 8 V.S.A. § 6014(e).

Non-sponsored captive insurance companies

In addition to CPT-635, Vermont Captive Insurance Tax Return, also complete Schedule CPT-636, Captive Insurance Affiliates Schedule, entering the information sought for each captive insurance company included in the combined return. Complete additional pages of Schedule CPT-636 as needed to completely describe all of the companies included in the combined return, using “Add a Record” tab.



The screenshot shows a software interface for adding a record. At the top, there is a green header bar with the text "Record1" and "Record1". To the right of the header bar are three buttons: "Delete this Record", "Copy row", and "Add a Record". The "Add a Record" button is circled in red. Below the header bar, there is a form with the following fields: "ENTITY NAME" (COMPANY A), "ADDRESS" (Street, City, State, Zip), "FEIN" (Required, Format: 99-9999999), and "Vermont Certificate of Authority Date".

Total the direct premiums and assumed reinsurance premiums for all affiliates, across all pages of Schedule CPT-636 for a combined return.

If the allocation of tax, Line C, is unknown, leave blank.

Attach an Excel spreadsheet showing allocation of other charges and deductions (Lines 2, 4, 8, and 10 of Form CPT-635) by company.

Sponsored captive insurance companies

Affiliated protected cells through common ownership and control are reported in Schedule CPT-638, Supporting Schedule for Combining Individual Protected Cells. See pages 2 and 3 of instructions.

Exception

Upon consultation with the Vermont Department of Financial Regulation – Captive Insurance Division, any cell participant that is affiliated with the sponsor of the sponsored captive insurance company through common ownership and control *AND* whose sponsored entity owns any other captive insurance company licensed in Vermont, shall be included on CPT-636 by adding a record as though they are a separate captive insurance company, and not included on CPT-637 and CPT-638. (8 V.S.A. § 6014(f)(2)(D) states “in the case of a sponsored captive insurance company, for purposes of this section a protected cell shall be treated as a separate captive insurance company owned and controlled by the protected cell’s participant.”)

Attach an Excel spreadsheet showing direct and assumed premium by cell, to support inclusion on Schedule CPT-636.

TAX RATE SCHEDULES

Table A

Direct Insurance Premiums Tax Rate Schedule (amount on Line 5)

If your Taxable Income is Over	But Not Over	Vermont Base Tax is	Plus	of the Amount Over
0	\$20,000,000	\$0.00	0.38% (0.0038)	\$0
\$20,000,000	\$40,000,000	\$76,000	0.285% (0.00285)	\$20,000,000
\$40,000,000	\$60,000,000	\$133,000	0.19% (0.0019)	\$40,000,000
\$60,000,000	-	\$171,000	0.072% (0.00072)	\$60,000,000

Table B

Assumed Reinsurance Premiums Tax Rate Schedule (amount on Line 11)

If your Taxable Income is Over	But Not Over	Vermont Base Tax is	Plus	of the Amount Over
\$0	\$20,000,000	\$0.00	0.214% (0.00214)	\$0
\$20,000,000	\$40,000,000	\$42,800	0.143% (0.00143)	\$20,000,000
\$40,000,000	\$60,000,000	\$71,400	0.048% (0.00048)	\$40,000,000
\$60,000,000	-	\$81,000	0.024% (0.00024)	\$60,000,000