

# FORM CPT-635 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.
- 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.

#### New This Year

- The return due date is now March 15th
- A new Captive type, Affiliated Reinsurance Captives (ARCS)

#### 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, 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.



The screenshot shows the 'Add a Record' tab in a software interface. At the top, there are tabs for 'Record1' and 'Record2'. Below the tabs, there are buttons for '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 for 'Name of cell:' with a 'Required' label. Below the input field, there are two radio button options: 'Combined Protected Cell' and 'Individual Protected Cell'.

- 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.



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

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



The screenshot shows the bottom of Schedule CPT-637. It displays two lines of information: '4. Calculated tax on Assumed Reinsurance Premium (from Table B in instructions)' and '5. Cell Calculated Tax (Sum: Line 2 plus Line 4)'. Below line 5, there is a hyperlink that says 'Click here to fill out the required detail schedule for combined protected cells', which is circled in red. To the right of the hyperlink, there is a 'Schedule Complete' button. At the bottom, there are buttons for 'Delete this Record', 'Copy row', and '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.

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).

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## 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).

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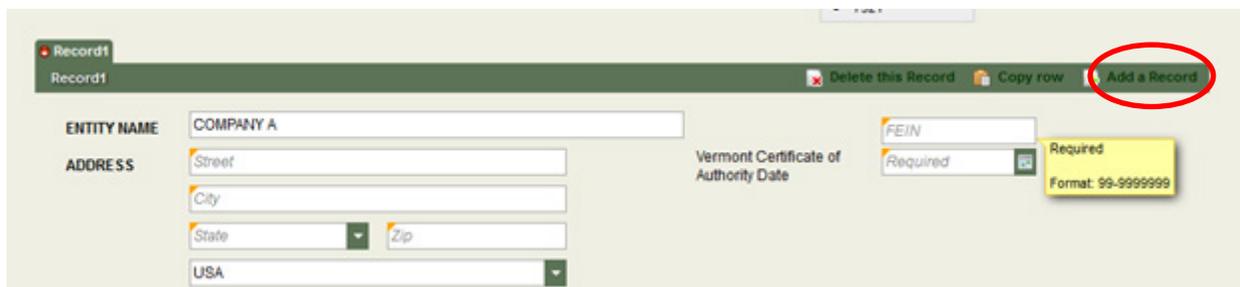
## Combined Returns for Captive Insurance Companies under common ownership & control

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).

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### 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 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" (text input with "COMPANY A"), "ADDRESS" (text input with "Street"), "City" (text input), "State" (dropdown menu with "USA" selected), and "Zip" (text input). To the right of the form, there is a "Vermont Certificate of Authority Date" label and a "FEIN" (text input) field. Below the "FEIN" field, there is a "Required" label and a "Format: 99-9999999" label. A yellow "Required" label is also present next to the "FEIN" field.

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.

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### 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.

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### 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.

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# TAX RATE SCHEDULES

**Table A**

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

If your Taxable Income is Over	But Not Over	VT 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	VT 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