

## TriTech Services

### Premium & Retaliatory Tax Reverse Audit



Premium and retaliatory taxes are the largest state tax burdens that insurance companies are liable for in the various states. These taxes, while ostensibly simplistic at first glance, involve complex analysis and require a deep understanding of insurance products and operations.

In addition, the tax returns and state laws are not uniform. Thus, there is a wide variance in interpretation and application of terms across the states. Finally, the return filing cycle is very short with most companies having about 30 days to file its returns. These factors require an efficient, organized and detail oriented premium/retaliatory tax return preparation process. A similar approach must be employed by a third party performing a premium/retaliatory tax

reverse audit and process improvement study. Generally speaking, we have found that [a three-phased approach](#) is the most efficient way to review and analyze premium/retaliatory tax exposure and potential savings.

## PHASE I INVESTIGATION

During the investigation phase, we will gather information by performing a detailed review of each premium tax return, state audit work paper, state correspondence, and annual statement. We will begin with the most currently filed returns and then review any prior year returns still open under the state statute of limitation period. It will be a three-year look back period for most states. Usually, a two-day on site visit at the client is necessary to collect the information for review.

Although most insurance companies pay premium/retaliatory tax, we do not have a list of “canned” ideas that we will try to force your company to fit into. Instead, we will seek to gain an understanding of the products sold by your company

and its business objectives. We then strive to provide ideas that accomplish a synergy between tax goals and business objectives. We will provide your company a list of potential ideas and exposures items at the end of phase one.

Also during phase one, we will scrutinize the premium tax preparation process, looking for inefficiencies and areas of improvement. For example, we will analyze the amount of time spent preparing and reviewing each return, the number of state audit changes, repetitive errors, the number of second and third information requests, and penalties and interest. We will provide your company with a list of process improvements, if any, at the end of phase one.

## PHASE II QUALIFICATION

During the qualification phase, we will take a more detailed look at the “items of interest” from the list generated during phase one. You will choose the items that we will focus on in phase

two. This phase may include requesting additional information from your company, researching current tax and insurance laws, quantifying exposure and savings, and assigning risk levels.

## PHASE III IMPLEMENTATION

During the implementation phase, we will complete the steps necessary to remedy the identified exposure and secure the potential savings. This phase may include filing amended

returns, seeking letter rulings (or the equivalent thereof), or entering into voluntary disclosure agreements.

### More Information:

If you would like to learn more about our products or services, please contact us at 800-380-6407 or visit [www.tritechservices.com](http://www.tritechservices.com). We will be happy to discuss your company’s unique needs and create a customized solution just for you.

800-380-6407

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