



Form DL-2 Investment Privilege Excise Return for Domestic Life Insurance Companies

2003
Massachusetts
Department of
Revenue

For calendar year 2003 or taxable year beginning **2003 and ending**

Name of company Federal Identification number

Principal business address City/Town State Zip

Name of treasurer

Check applicable investment income tax rate: 14% 12% 9.6% 7.2% 4.8% 2.4%

Has the federal government changed your taxable income for any prior year which has not yet been reported to Massachusetts? Yes No

Computation of Excise. Attach a copy of Schedule T of NAIC Annual Statement.

Income and excise before credits

Use whole dollar method

1 Admitted assets as of December 31, 2003 (from Annual Statement, pg. 2)	▶	1		
2 Credit recapture (attach Schedule H-2)	▶	2		
3 Massachusetts taxable investment income (from Schedule C, line 9)	▶ \$ _____ × applicable rate	3		
4 Excise before credits. <i>Add lines 2 and 3</i>		4		

Credits

5 Credit if line 1 is less than \$240,000,000. Enter \$500 for each \$1,000,000 (disregard a fraction thereof) that line 1 is below \$240,000,000, up to a maximum of \$20,000	▶	5		
6 Economic Opportunity Area Credit (attach Schedule EOAC). Do not claim here if claimed on Form DL-1 or Form 176-I . . .	▶	6		
7 Full Employment Credit (attach Schedule FEC). Do not claim here if claimed on Form DL-1 or Form 176-I	▶	7		
8 Low-Income Housing Credit (attach documentation). Do not claim here if claimed on Form DL-1 or Form 176-I	▶	8		

Excise after credits

9 Investment privilege excise due before voluntary contribution. <i>Subtract total of lines 5 through 8 from line 4.</i> Not less than "0"	▶	9		
10 Voluntary contribution for endangered wildlife conservation	▶	10		
11 Total excise plus voluntary contribution. <i>Add lines 9 and 10</i>	▶	11		

Payments

12 2002 overpayment applied to 2003 estimated tax	▶	12		
13 2003 Massachusetts estimated tax payments (do not include amount from line 12)	▶	13		
14 Payments made with extension	▶	14		
15 Total payments. <i>Add lines 12 through 14</i>		15		

Refund or balance due

16 Amount overpaid. <i>Subtract line 11 from line 15</i>	▶	16		
17 Amount overpaid to be credited to 2004 estimated tax	▶	17		
18 Amount overpaid to be refunded. <i>Subtract line 17 from line 16</i>	▶	18		
19 Balance due. <i>Subtract line 15 from line 11</i>		19		
20 M-2220 penalty ▶ \$ _____; Other penalties ▶ _____ Total penalty		20		
21 Interest on unpaid balance	▶	21		
22 Total payment due at time of filing	▶	22		

Under the penalties of perjury, I declare that I have examined this return, including attachments, and to the best of my knowledge and belief, it is true, correct and complete. Declaration of preparer (other than taxpayer) is based on all information of which he/she has knowledge.

Signature of appropriate corporate officer (see instructions) Social Security number Telephone number Date

Signature of paid preparer Employer Identification number Address Date

If you are signing as an authorized delegate of the appropriate corporate officer, check here and attach Mass. Form M-2848, Power of Attorney. The Privacy Act Notice is available upon request. Mail to: Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204. Make check or money order payable to: Commonwealth of Massachusetts.

Schedule A. Income Apportionment

1 Massachusetts premiums (from NAIC Annual Statement Schedule T, line 22, cols. 2, 3 and 4). Exclude premiums (if included) for company employees' group plans	1		
2 Premiums in jurisdictions where no insurance tax is paid (from Schedule T, cols. 2, 3 and 4)	2		
3 Add lines 1 and 2.	3		
4 Total premiums (from Schedule T, line 94, cols. 2, 3 and 4). Exclude premiums (if included) for company employees' group plans	4		
5 Adjustments to total premiums (from Schedule T, cols. 3, 4 and 5)			
a Dividends to purchase paid-up additions and annuities (from line 91)	5a		
b Dividends to shorten endowment or premium paying period (from line 92)	5b		
c Considerations waived under contract provisions (from line 93)	5c		
d Add lines 5a through 5c	5d		
6 Adjusted total premiums. Subtract line 5d from line 4	6		
7 Massachusetts premium apportionment percentage. Divide line 3 by line 6	7	\$ _____ × 9 =	7 %
8 Massachusetts wages, salaries, commissions and other remuneration.	8		
9 Total wages, salaries, commissions and other remuneration.	9		
10 Massachusetts payroll apportionment percentage. Divide line 8 by line 9.	10		%
11 Total apportionment percentage. Add lines 7 and 10	11		%
12 Massachusetts apportionment percentage. Divide line 11 by 10.	12		%
13 Applicable apportionment percentage (line 12 or .20, whichever is less). Enter here and in Schedule C, line 8.	13		%

Schedule B. Dividends Deduction

Include separate account amounts in each line, if separately stated on Pro Forma 1120L.

1 Total dividends (Pro Forma 1120L, Schedule A, lines 2a through 2e, multiplied by Schedule C, line 3, Pro Forma 1120L)	1	
2 Dividends from Massachusetts corporate trusts included in line 1 (attach schedule)	2	
3 Dividends from non-wholly-owned DISCs included in line 1 (attach schedule)	3	
4 Dividends, if less than 15% of voting stock owned, included in line 1:		
a On common stock	4a	
b On preferred stock	4b	
5 Total taxable dividends. Add lines 2 through 4.	5	
6 Dividends deduction. Attach schedule showing payers, amounts and percentage of voting stock owned by class of stock. Subtract line 5 from line 1. Enter here and in Schedule C, line 6.	6	

Schedule C. Taxable Investment Income

Include separate account amounts in each line, if separately stated on Pro Forma 1120L.

1 Taxable investment income as shown in Schedule C, line 12, Pro Forma 1120L*.	1	
2 State and municipal bond interest not included in line 1 (from Schedule C, line 8b, Pro Forma 1120L)	2	
3 Foreign, state or local income, franchise, excise, capital stock or premium taxes deducted from federal investment income.	3	
4 Dividends received deduction (from Schedule C, line 9f, Pro Forma 1120L)	4	
5 Add lines 1 through 4.	5	
6 Dividends deduction (from Schedule B, line 6)	6	
7 Income subject to apportionment. Subtract line 6 from line 5	7	
8 Income apportionment percentage (from Schedule A, line 13)	8	
9 Massachusetts taxable investment income. Multiply line 7 by line 8	9	

*Companies to which Section 22D of Chapter 63 of the Massachusetts General Laws applies must attach a reconciliation if the amount shown on this line differs from Schedule C, line 12, Pro Forma 1120L.

Form DL-2 Instructions

Who Must File Form DL-2?

All domestic life insurance companies, as defined by MGL Ch. 175 (secs. 118 and 47), which are subject to MGL, Ch. 63, sec. 22B and also Ch. 816 of the Acts of 1977, which conduct any or all of their business in Massachusetts, must complete and file Form DL-2.

A domestic life insurance company is a company incorporated or formed in the Commonwealth.

When Must Form DL-2 Be Filed?

Form DL-2 must be filed on or before the 15th day of the third month after the close of the company's taxable year.

Can an Insurance Company Obtain an Extension of Time to File?

Yes. Insurance companies may request a six-month extension of time to file Form DL-2 by submitting Massachusetts Form 355-7004 Misc. on or before the original due date of the return. Any tax due at the time for filing Form 355-7004 Misc. must be paid in full.

Note: An extension of time to file is not valid if the company fails to pay at least 50% of the total tax liability through estimated payments or with Form 355-7004 Misc.

What Are the Penalties for Late Returns?

Insurance excise returns which are not filed on or before the due date are subject to interest and penalty charges. The penalty for failure to pay the total payment due with this form is $\frac{1}{2}\%$ of the balance due per month (or fraction thereof), up to a maximum of 25% of the tax reported as due on the return. A late payment penalty does not apply to amended returns when the amount shown on the original return was paid.

The penalty for failure to file a return by the due date is 1% of the balance due per month (or fraction thereof), up to a maximum of 25%.

Any tax not paid on or before the due date — without regard to the extension — is subject to interest.

What Is a Valid Return?

A valid return is one upon which all required amounts have been entered for all of the appropriate items on the form. Data sheets, account forms, or other documents may be attached to explain these amounts. Referencing items to attachments instead of properly entering all amounts onto the return is **not** sufficient. The return must be signed by either the treasurer or the assistant treasurer of the company.

To be valid, a return must also include the following:

- a copy of Schedule T, Exhibit of Premiums Written from the NAIC Annual Statement;
- a Certificate of Contribution from the Life Initiative from those companies claiming a lower rate;
- a copy of Form 3, page 2 of the NAIC Annual Statement; and
- a 2003 Pro Forma 1120L and schedules required to substantiate the Massachusetts excise must be attached to this return along with an exact and complete copy of all pages of U.S. Form 1120L as filed. Domestic life insurance companies must report income for purposes of the investment privilege excise as if they filed federally under pre-1984 law. Any return filed without copies of such information attached is an incomplete return and is subject to assessment penalties.

Reproduction of returns must be approved by the DOR prior to filing and meet the criteria provided in Technical Information Release 95-8.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such a penalty may be assessed at double the amount of the tax due.

When Are Estimated Tax Payments Required?

Any insurance company which reasonably estimates its excise to be in excess of \$1,000 for the taxable year is required to make estimated tax payments to the Commonwealth. Estimated taxes may be paid in full on or before the 15th day of the third month of the company's taxable year or in four installment payments according to the schedule below. Insurance companies making estimated payments must use Form 355-ES.

For taxable years ending on or after December 31, 1989, estimated tax installments are paid as follows:

<u>Installment no.</u>	<u>Pct. of estimated tax due</u>	<u>Due date from start of taxable year</u>
1	40%	15th day of 3rd month
2	25%	15th day of 6th month
3	25%	15th day of 9th month
4	10%	15th day of 12th month

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Special Optical Character Readable payment vouchers are mailed to all companies who have made estimated payments or should be making estimated payments. These special forms are easier to fill out and facilitate processing.

Insurance companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having \$1 million or more of federal taxable income in any of its three preceding taxable years (as defined in Section 6655 (g) of the IRC) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

A company that claims the exception to the underpayment penalty of equaling the prior year's tax liability **must provide federal tax returns** (front page only) for the three preceding taxable years to verify that federal taxable income is less than \$1 million.

Note: Any insurance company required to file more than one type of excise return must also file separate estimated payment vouchers since each type of tax is governed by a different section of the Massachusetts General Laws.

For more information on corporate estimated taxes, refer to MGL, Ch. 63B.

How Is the Excise Determined?

Every life insurance company that has contributed its full proportionate share to the life initiative for the current taxable year shall annually pay a reduced rate. The rate is 12% for the first year on or after January 1, 1999, in which it makes the required contribution or 9.6% for the second year in which it makes the required contribution or 7.2% for the third year in which it makes the required contribution. The rate is 4.8% in the fourth year in which the company makes the required contribution. If a company does not make the required contribution in any year, it will continue to be taxed at the rate for the last taxable year in which it did make the required contribution. The tax rate is 2.4% in the fifth year in which the company makes the required contribution. The tax rate is 14% if a company has not made the required contribution during 1999 through 2003. A Certificate of Contribution issued by the Life Insurance Company Initiative must accompany the return if claiming the lower rate.

Are Combined Returns Allowed?

No. Domestic insurance companies are not allowed to participate in filing combined returns.

Line Instructions

Registration Information

Enter the company's federal identification number in the box next to the name and address of the company.

Federal Audit

If your corporation has undergone a federal audit for some prior year, you must report any changes to Massachusetts on Form CA-6, Application for Abatement/Amended Return. You must report any federal audit changes within three months after the final determination by the IRS of the correct taxable income. Otherwise, you will be subject to a penalty. Answering "yes" to this question does not release the corporation from this filing obligation.

Apportionment

Massachusetts income apportionment is based on two factors: the premium factor and the payroll factor. The premium apportionment percentage and the payroll apportionment percentage are combined and divided by 10 to arrive at the Massachusetts apportionment percentage. The apportionment percentage cannot exceed 20%.

The numerator of the premium factor is the sum of life insurance premiums, annuity considerations and accident and health premiums received during the taxable year with respect to direct business in the Commonwealth. Premiums and annuities in jurisdictions where no taxes are paid must be included in the numerator. Premiums for companies' employee group plans are excludable from the numerator of the premium factor if they were included on Schedule T of the NAIC annual statement.

The denominator of the premium factor is the total of all life insurance premiums, annuity considerations and accident and health premiums received during the taxable year, excluding: dividends to purchase paid-up additions; dividends to shorten premium paying period; and considerations waived under contract provisions. Premiums for company employees' group plans are also excluded from the denominator.

The numerator of the payroll factor equals all compensations paid in Massachusetts during the taxable year. Compensation is defined as wages, salaries, commissions and other remuneration, whether or not paid to employees of the insurer.

The denominator of the payroll factor equals the total amount of compensation paid both inside and outside Massachusetts.

Dividends Deduction

A deduction is provided for dividends reported on Pro Forma 1120L, Schedule A, lines 2a through 2e, multiplied by the company's share, excluding: dividends from Massachusetts corporate trusts; dividends from non-wholly owned DISCs; and dividends less than 15% of voting stock, if included in Schedule A of Pro Forma 1120L.

Credits Against Excise

Domestic life insurance companies with admitted assets of less than \$240 million are allowed a credit of \$500 for each \$1 million below \$240 million up to a maximum of \$20 thousand.

Domestic life insurance companies can claim the Economic Opportunity Area credit by entering the amount from Schedule EOAC, line 9 on this form. Attach a completed Schedule EOAC to this return. For more information, contact the Massachusetts Office of Business Development at One Ashburton Place, Room 2101, Boston, MA 02108.

Enter the amount of any Low-Income Housing Credit being claimed in line 8. Enclose documentation supporting the credit. For further information on this credit, contact the DHDC, Division of Private Housing, at (617) 727-7827.

If the corporation is required to recapture any amount of previously claimed EOAC or Low-Income Housing Credit, complete Schedule H-2 and enter the result in line 2 of the return.

Full Employment Program Credit

A qualified employer participating in the Full Employment Program may claim a credit of \$100 per month of eligible employment per employee. The maximum amount of credit that may be applied in all taxable years with respect to each employee is \$1,200. Attach Schedule FEC to this return. For more information, contact the Department of Transitional Assistance, 600 Washington Street, Boston, MA 02111.

Low-Income Housing Credit

This credit is administered through the Massachusetts Department of Housing and Community Development (DHCD). The low-income housing credit is available to taxpayers that claim a federal credit for the construction or development of low-income housing. The state credit is taken over five years, and the amount of credit a taxpayer may claim for a qualified Massachusetts project is allocated by the DHCD, and is based on a total pool of money awarded to the Commonwealth. In order to claim the credit, a copy of the eligibility statement issued by DHCD must be attached to the return.

For further information, contact the Department of Housing and Community Development, Division of Private Housing, at (617) 727-7824.

Voluntary Contribution for Endangered Wildlife Conservation

Any corporation that wishes to contribute any amount to the Natural Heritage and Endangered Species Fund may do so on this form. This amount is added to the excise due. It increases the amount of the corporation's payment or reduces the amount of its refund.

The Natural Heritage and Endangered Species Fund is administered by the Department of Fisheries, Wildlife and Environmental Law Enforcement to provide for conservation programs for rare, endangered and nongame wildlife and plants in the Commonwealth.

Signature

When the form is complete, it must be signed by the treasurer or assistant treasurer. If you are signing as an authorized delegate of the appropriate corporate officer, check the box in the signature section and attach a Massachusetts Form M-2848, Power of Attorney. Mail forms to: **Massachusetts Department of Revenue, PO Box 7052, Boston, MA 02204.**