

Notice - Insurance Premiums Tax (IPT), N.J.S.A. 54:18A-1, et seq., and New Jersey Foreign Fire Insurance Company Tax (NJFT), N.J.S.A. 54:18-1, et seq.

Under N.J.S.A. 54:18A-2, foreign and domestic insurance companies are required to pay an Insurance Premiums Tax (IPT) equal to 2.1% on the taxable premiums sold that cover property and risks on property located in this State. The IPT is paid into the State General Fund. If the amount of taxable premiums collected by a company for coverage in this State exceeds 12.5% of the total premiums the company collected worldwide, then the taxable premiums are limited to (or “capped” at) 12.5% of those total premiums collected worldwide. N.J.S.A. 54:18A-6.

Under N.J.S.A. 54:18-1, foreign fire insurance companies are required to pay a New Jersey Foreign Fire Insurance Company tax (NJFT) equal to 2% on fire insurance premiums collected in New Jersey. The NJFT is paid directly to the New Jersey Firemen’s Relief Association (FRA). Domestic insurance companies do not pay the NJFT. Under N.J.S.A. 54:18A-2, the NJFT is credited against a foreign insurance company’s IPT because NJFT is considered part of IPT. The law does not specify a cap on premiums for NJFT as it does for IPT.

Without a cap for NJFT, a foreign fire insurance company may be subject to more total tax than an insurance company only doing business in New Jersey if the foreign company sells more fire insurance policies in New Jersey than other types of insurance policies, or if the company’s NJFT exceeds its IPT (because of the cap). For that reason, the Division will apply the 12.5% cap to the premiums on which the NJFT is calculated.

The Division is in the process of revising the Insurance Premiums Tax return and instructions and is currently drafting regulations to reflect the above position. Information regarding these changes will be posted to this website as it becomes available.