



Tax Information Publication

TIP

No: 24B8-01

Date Issued:
August 30, 2024

Insurers Tax Credit for Property Insurance Discount to Policyholders

An insurer reporting and paying the insurance premium tax imposed under section 624.509, Florida Statutes (F.S.), to the Department of Revenue (Department) must provide discounts to its policyholders for policies that provide coverage for a 12-month period with an effective date beginning between October 1, 2024, and September 30, 2025, by deducting the following amounts from the total charged to policyholders:

- (a) **For a policy¹ providing residential coverage on a dwelling, an amount equal to 1.75 percent of the premium².** The discount applies to the entire premium for residential coverage on a dwelling type of policy like a homeowner's policy, including any riders, and would also apply to the premium for an endorsement providing residential coverage on a dwelling that is part of any other type of policy. Residential coverage includes both personal lines residential coverage, which consists of the type of coverage provided by homeowner, mobile homeowner, dwelling, condominium unit owner, cooperative unit owner, and similar policies, and commercial lines residential coverage, which consists of the type of coverage provided by a condominium association, cooperative association, and similar policies. (A dwelling is a building, structure, or portion thereof, designed or intended for occupancy as a residence.)

Collateral protection insurance is not residential coverage. The discount applies to a condominium unit owner's policy and to a master condominium policy that covers the dwellings of the condominium unit owners. The discount does not apply to a renter's insurance policy.

- (b) **For a policy providing residential coverage on a dwelling, the amount charged for the State Fire Marshal Regulatory Assessment.** The discount applies to same premium that is eligible for discount in (a) above but applies to only the fire risk portion of that premium.

The State Fire Marshal Regulatory Assessment is imposed at a rate of 1 percent of the gross amount of premiums on fire insurance policies. To calculate the discount, use the same fire risk percentages used to pay the State Fire Marshal Regulatory Assessment, reported on Schedule X of the *Insurance Premium Taxes and Fees Return* (Form DR-908) to determine the portion of the premium that would be subject to the State Fire Marshal Regulatory Assessment, and therefore, eligible for the discount.

The State Fire Marshal Surcharge is not part of this discount.

¹ Section 627.402(3), F.S.: "Policy" means a written contract of insurance or written agreement for or effecting insurance, or the certificate thereof, by whatever name called, and includes all clauses, riders, endorsements, and papers that are a part thereof. The term "certificate" as used in this subsection does not include certificates as to group life or health insurance or as to group annuities issued to individual insureds.

²Section 627.403, F.S.: "Premium" is the consideration for insurance, by whatever name called. Any "assessment," or any "membership," "policy," "survey," "inspection," "service" or similar fee or charge in consideration for an insurance contract is deemed part of the premium.

(c) **For a policy, contract, or endorsement providing personal or commercial lines coverage for the peril of flood or excess coverage for the peril of flood on any structure or the contents of personal property contained therein, an amount equal to 1.75 percent of the premium for only the flood coverage.**

- The discount applies to the entire premium for the risk of flood only, which in many cases is a separate policy, contract, or endorsement. For example, the discount applies only to that part of a condominium unit owner's policy or the portion of a master condominium policy that covers the flood risk.
- When a single policy, such as a homeowner's policy, has both residential coverage on a dwelling and an endorsement for the risk of flood, the total discount cannot exceed 1.75 percent of the total premium plus the discount for the State Fire Marshal Regulatory Assessment.
- When a single policy for commercial lines coverage includes the peril of flood or excess coverage for the peril of flood, the total discount cannot exceed 1.75 percent of the flood portion of the premium (i.e. that part of the premium related to the policy, contract, or endorsement providing coverage for the peril of flood or excess coverage for the peril of flood on any structure or the contents of personal property contained therein).

The discounted amount must be separately stated on the policy declarations page.

When a policy qualifying for the discount is canceled, the discount applies only to the premium for the period that the policy was in force. This requires a re-computation or a proration of the discount provided to the policyholder, which impacts the credit available to the insurer.

Insurers will receive a tax credit for the total amount of the discount provided to its policyholders, less discount adjustments for canceled policies, when filing the *Insurance Premium Taxes and Fees Return* (Form DR-908). Insurers will report the **net amount of discount** on new line 3.5, Property Insurance Discount to Policyholders Credit. **The discount provided to policyholders and taken as a tax credit by the insurer does not reduce the insurer's direct written premiums reported on the return and will not impact the calculation of taxes and fees reported and due with the return.**

Examples:

- 1) Insured A is purchasing a 12-month homeowner's insurance policy with an effective date of November 1, 2024, on his Florida home for \$3,000 and a rider to that policy covering some jewelry for \$80, for a total premium of \$3,080. Insured A should receive a discount of \$53.90 (\$3,080 homeowner's policy premium x 0.0175). Insured A should also receive a discount on the amount charged for the State Fire Marshal Regulatory Assessment. If the insurer uses the 25 percent factor for the risk of fire on homeowner's policies when filing Form DR-908, the discount would be \$7.70 (\$3,080 residential coverage on a dwelling x 0.25 fire risk percentage x 0.01).
- 2) Insured C is purchasing a 12-month commercial crop insurance policy with an effective date of October 1, 2024, for \$25,000 that also has a \$4,000 endorsement on the policy to cover homeowner's insurance for his Florida home for a total premium of \$29,000. Insured C should receive a discount of \$70.00 (\$4,000 homeowner's endorsement premium x 0.0175). Insured C should also receive a discount on the amount charged for the State Fire Marshal Regulatory Assessment based on the risk factor the insurer used in paying the State Fire Marshal Regulatory Assessment on Schedule X of Form DR-908 for that premium.

- 3) Insured G is purchasing a 12-month business owners' insurance policy with an effective date of March 1, 2025, for \$40,000 that also has a \$10,000 endorsement on the policy to cover the risk of flood of its building, for a total premium of \$50,000. Insured G should receive a discount of \$175.00 ($\$10,000 \text{ flood risk premium} \times 0.0175$).
- 4) Insured M is purchasing a 12-month homeowner's insurance policy with an effective date of November 1, 2024, on his Florida home for \$3,000 and a rider to that policy covering the risk of flood for \$600, for a total premium of \$3,600. Insured M should receive a discount of \$63 ($\$3,600 \text{ homeowner's policy premium} \times 0.0175$). Insured M should receive a discount on the amount charged for the State Fire Marshal Regulatory Assessment. If the insurer uses the 25 percent factor for the risk of fire on homeowner's policies when filing Form DR-908, the discount would be \$9 ($\$3,600 \text{ homeowner's policy premium} \times 0.25 \text{ fire risk percentage} \times 0.01$). Since Insured M's policy also contains coverage for the peril of flood, the \$600 premium for the peril of flood would normally produce an additional discount ($\$600 \text{ flood premium} \times .0175 = \10.50). However, since the entire policy, including the premium for the risk of flood, already received a 1.75 percent discount, the discount is not duplicated on the premium for the endorsement covering the risk of flood. This homeowner's policy would receive a total discount of \$72 ($\$63 + \9).
- 5) Insured P is purchasing a 12-month homeowner's insurance policy with an effective date of November 1, 2024, on his Florida home for \$3,000 and a separate 12-month flood insurance policy covering his home for \$600. Insured P should receive a discount of \$52.50 ($\$3,000 \text{ homeowner's policy premium} \times 0.0175$). Insured P should also receive a discount on the amount charged for the State Fire Marshal Regulatory Assessment. If the insurer uses the 25 percent factor for the risk of fire on homeowner's policies when filing Form DR-908, the discount would be \$7.50 ($\$3,000 \text{ residential coverage on a dwelling} \times 0.25 \text{ fire risk percentage} \times 0.01$). Insured P should also receive a discount on the separate flood policy of \$10.50 ($\$600 \text{ flood premium} \times 0.0175$). This results in Insured P receiving a combined total discount of \$70.50 ($\$52.50 + \7.50 on the homeowner's policy and $\$10.50$ on the flood policy). Note: flood policies generally have little or no risk for fire.
- 6) Insured X purchases a 12-month condo owners' insurance policy outside Florida covering her condo in New York City with an effective date of October 1, 2024. As part of this policy, a homeowner's endorsement for her Florida beach house is included for a premium of \$9,000. If the insurer is paying tax to Florida under s. 624.509, F.S., on the endorsement for the homeowner's coverage on the Florida beach house, then the insurer should provide the policyholder with a discount of \$157.50 ($\$9,000 \text{ homeowner's endorsement premium} \times 0.0175$) and should provide a discount for the State Fire Marshal Regulatory Assessment based on the risk factor the insurer used in paying the State Fire Marshal Regulatory Assessment on Schedule X of Form DR-908 for that premium.
- 7) Insured Z purchased a 12-month homeowner's insurance policy with an effective date of November 1, 2024, on his Florida home for \$12,000 and received a policyholder discount under s. 624.5108, F.S., of \$210 ($\$12,000 \text{ homeowner's policy premium} \times 0.0175$) and \$30 ($\$12,000 \text{ homeowner's policy premium} \times 0.25 \text{ fire risk percentage} \times 0.01$). The insurer claimed a credit of \$240 on its 2024 Form DR-908. Insured Z then sold his home and cancelled his homeowner's policy on March 1, 2025, which required a proration of the discounts for the period the policy was in force. This resulted in revising the original discount of \$240.00 to \$80 ($4 \text{ months}/12 \text{ months} \times \$210 = \$70$ plus $4 \text{ months}/12 \text{ months} \times \$30 = \$10$). The insurer reduces the original discount provided by \$160 ($\$240 - \80), which offsets the original discount provided and reduces the amount of credit the insurer claims on its 2025 Form DR-908.

References: Sections 624.5108, 627.402(3), 627.403, and 627.4025(1), Florida Statutes, and Office of Insurance Regulation Emergency Rule 69OER24-1

For More Information

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit the Department's website at floridarevenue.com or call Taxpayer Services at (850) 488-6800, Monday through Friday (excluding holidays).

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services MS 3-2000, 5050 West Tennessee Street, Tallahassee, FL 32399-0112.

Want the latest tax information?

- ✓ Subscribe to our tax publications or sign up for due date reminders at floridarevenue.com/dor/subscribe
- ✓ Visit the Taxpayer Education webpage at floridarevenue.com/taxes/education for online guides and tutorials
- ✓ Follow us on **Instagram, LinkedIn, X, and YouTube**