**FEDERAL GOVERNMENT ENTITIES SURPLUS LINES TAX EXEMPTION – September 26, 2013**

The Oregon Insurance Division will allow federal entities exemption from Oregon Surplus Lines tax when the exemption is requested by the entity or their broker at the time that surplus lines business is placed.

The federal government immunity from state taxation is based upon the Supremacy Clause , U.W. Const. Art. VI, cl.2 and is absolute. The exemption will apply to federal government entities that are subject to the Supremacy Clause. Federal law preempts Oregon law and will be honored if exemption is requested.

Oregon law does not address any exemption from Surplus Lines tax. Oregon Revised Statute (ORS) 735.470 simply says that if Oregon is the home state the surplus lines licensee must remit a premium tax equal to 2% of gross premium. We have not allowed exemptions for premium tax except in cases of Indian Nations and Federal Credit Unions. After review of a specific exemption request by a federal entity it was determined that the exemption should be allowed when requested.

In cases where no request is made, the SLAOR and the Oregon Insurance Division will proceed as they do with regular account handling and collect the tax as outlined in Oregon Law in ORS 735.470.

The Surplus Lines Association of Oregon will post information regarding the exemption on their Web site for their members.

The Division will not require SLAOR to provide a record of the account or tax exemption.

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