



FEMA

W-08032

May 23, 2008

MEMORANDUM FOR: Write Your Own (WYO) Company Principal Coordinators

FROM:

*David I. Maurstad*  
David I. Maurstad  
Federal Insurance Administrator  
National Flood Insurance Program

SUBJECT:

South Carolina Municipal Tax

Under the Arrangement between the Federal Emergency Management Agency (FEMA) and private insurance companies participating in the National Flood Insurance Program's (NFIP) Write-Your-Own (WYO) Program, companies sell and service NFIP policies under their own name. However, because these policies are underwritten by the Federal government, the premiums collected as payment for coverage under these policies are Federal dollars and, as such, are not subject to State or local taxation. FEMA has consented to a single exception to this legal principle and, since the inception of the WYO Program, agreed to voluntarily pay State premium taxes on NFIP premiums in recognition of the service provided by State insurance departments in overseeing the solvency and conduct of WYO companies, as well as the conduct and qualifications of agents and adjusters who work on behalf of the NFIP.

Article III, paragraph A of the Arrangement provides for the payment of State premium taxes by the companies, and reimbursement by FEMA for such expense, but specifically excludes reimbursement for "other taxes or fees, such as surcharges on flood insurance premium and guaranty fund assessments." The intent of this provision is to articulate clearly that FEMA's consent to paying State premium taxes does not invalidate the Federal government's exemption from any taxes or assessments levied by any other level of government.

That being the case, companies participating in the WYO Program, and signatory to the Arrangement, are fiscal agents of the Federal government and, as such, are not liable for or authorized to pay any taxes and assessments levied on Federal flood premiums not provided for

under the Arrangement. This includes taxes levied on NFIP premiums by the Municipal League of South Carolina. The purpose of this memorandum is to direct the WYO companies not to pay such taxes in South Carolina or in any other jurisdiction where such assessments are made. We will inform the Municipal League and any other relevant jurisdictions of this decision.

cc: Vendors, IBHS, Government Technical Representative

Required Routing: Accounting, Legal, Marketing

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