Insurance Company Taxes.—A privilege tax on the gross premiums received by a foreign life insurance company at its home office for business written in the state does not deprive the company of property without due process,[485] but such a tax is invalid if the company has withdrawn all its agents from the state and has ceased to do business there, merely continuing to receive the renewal premiums at its home office.[486] Also violating due process is a state insurance premium tax imposed on a nonresident firm doing business in the taxing jurisdiction, where the firm obtained the coverage of property within the state from an unlicenced out-of-state insurer that consummated the contract, serviced the policy, and collected the premiums outside that taxing jurisdiction.[487] However, a tax may be imposed upon the privilege of entering and engaging in business in a state, even if the tax is a percentage of the "annual premiums to be paid throughout the life of the policies issued." Under this kind of tax, a state may continue to collect even after the company's withdrawal from the state.[488]

A state may lawfully extend a tax to a foreign insurance company that contracts with an automobile sales corporation in a third state to insure customers of the automobile sales corporation against loss of cars purchased through the automobile sales corporation, insofar as the cars go into the possession of a purchaser within the taxing state.[489] On the other hand, a foreign corporation admitted to do a local business, which insures its property with insurers in other states who are not authorized to do business in the taxing state, cannot constitutionally be subjected to a 5% tax on the amount of premiums paid for such coverage.[490] Likewise a Connecticut life insurance corporation, licensed to do business in California, which negotiated reinsurance contracts in Connecticut, received payment of premiums on such contracts in Connecticut, and was liable in Connecticut for payment of losses claimed under such contracts, cannot be subjected by California to a privilege tax measured by gross premiums derived from such contracts, notwithstanding that the contracts reinsured other insurers authorized to do business in Califor-

---

dividends, he contended is "one wholly beyond the reach of Wisconsin's sovereign power, one which it cannot effectively command, or prohibit or condition." The assumption that a proportion of the dividends distributed is paid out of earnings in Wisconsin for the year immediately preceding payment is arbitrary and not borne out by the facts. Accordingly, "if the exaction is an income tax in any sense it is such upon the stockholders (many of whom are nonresidents) and is obviously bad." *See also* Wisconsin v. Minnesota Mining Co., 311 U.S. 452 (1940).

[485] Equitable Life Society v. Pennsylvania, 238 U.S. 143 (1915).

[486] Provident Savings Ass'n v. Kentucky, 239 U.S. 103 (1915).

[487] State Bd. of Ins. v. Todd Shipyards, 370 U.S. 451 (1962).

[488] Continental Co. v. Tennessee, 311 U.S. 5, 6 (1940).

[489] Palmetto Ins. Co. v. Connecticut, 272 U.S. 295 (1926).

[490] St. Louis Compress Co. v. Arkansas, 260 U.S. 346 (1922).