

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 238*

Short Title: Modify Tax on Property Coverage Contract. (Public)

Sponsors: Senators Kerr, Clodfelter, Hartsell, Hoyle, and Dalton.

Referred to: Finance.

February 21, 2007

A BILL TO BE ENTITLED

AN ACT TO ADJUST THE ADDITIONAL TAX RATE ON PROPERTY
COVERAGE CONTRACTS TO BE REVENUE NEUTRAL BASED ON AN
EXPANSION OF THE TAX BASE ENACTED IN S.L. 2006-196, TO INCREASE
THE DISTRIBUTION OF THE TAX PROCEEDS TO THE VOLUNTEER FIRE
DEPARTMENT FUND, TO AMEND THE VOLUNTEER FIRE DEPARTMENT
GRANT PROGRAM TO ALLOW MORE DEPARTMENTS TO QUALIFY FOR
GRANTS, AND TO MODIFY THE DISTRIBUTION OF TAX PROCEEDS TO
THE LOCAL FIREMEN'S RELIEF FUNDS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-228.5(d)(3), as amended by Section 3 of S.L.
2006-196, reads as rewritten:

"(3) **(Effective for taxable years beginning on or after January 1, 2008)**
Additional Rate on Property Coverage Contracts. – An additional tax
at the rate of ~~eighty five hundredths percent (.85%)~~ seventy-four
hundredths percent (.74%) applies to gross premiums on insurance
contracts for property coverage. The tax is imposed on ten percent
(10%) of the gross premiums from insurance contracts for automobile
physical damage coverage and on one hundred percent (100%) of the
gross premiums from all other contracts for property coverage. ~~Twenty~~
~~percent (20%)~~ Thirty percent (30%) of the net proceeds of this
additional tax must be credited to the Volunteer Fire Department Fund
established in Article 87 of Chapter 58 of the General Statutes.
Twenty-five percent (25%) of the net proceeds must be credited to the
Department of Insurance for disbursement pursuant to G.S. 58-84-25.
The remaining net proceeds must be credited to the General Fund.
The following definitions apply in this subdivision:

- 1 a. Automobile physical damage. – The following lines of business
2 identified by the NAIC: private passenger automobile physical
3 damage and commercial automobile physical damage.
4 b. Property coverage. – The following lines of business identified
5 by the NAIC: fire, farm owners multiple peril, homeowners
6 multiple peril, nonliability portion of commercial multiple peril,
7 ocean marine, inland marine, earthquake, private passenger
8 automobile physical damage, commercial automobile physical
9 damage, aircraft, and boiler and machinery. The term also
10 includes insurance contracts for wind damage.
11 c. NAIC. – National Association of Insurance Commissioners."

12 **SECTION 2.** G.S. 58-84-25, as amended by Section 7 of S.L. 2006-196,
13 reads as rewritten:

14 "**§ 58-84-25. (Effective January 1, 2008) Disbursement of funds by Insurance**
15 **Commissioner.**

16 (a) Distribution. – The Insurance Commissioner shall deduct the sum of three
17 percent (3%) from the tax proceeds credited to the Department pursuant to
18 G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's
19 Association for general purposes. The Insurance Commissioner shall deduct the sum of
20 two percent (2%) from the tax proceeds and retain the same in the budget of the
21 Department of Insurance for the purpose of administering the disbursement of funds by
22 the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance
23 Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by
24 nonmember fire districts to the North Carolina State Firemen's Association. The
25 Insurance Commissioner shall pay the remaining tax proceeds to the treasurer of each
26 fire district as provided in subsection (b) of this section.

27 (b) Local Fire Districts. – ~~on a per capita basis, using the most recent annual~~
28 ~~population estimates certified by the State Budget Officer.~~ The Insurance Commissioner
29 must distribute to the fire districts the amount each district received under this section in
30 the previous year. If the amount distributable in a year is less than the amount
31 distributed in the previous year, then the amount each fire district receives is reduced
32 proportionally. If the amount distributable in a year is greater than the amount
33 distributed in the previous year, then the excess proceeds must be distributed to the
34 counties in proportion to the premiums collected on insurance contracts for property
35 coverage in each county compared to the total premiums collected on insurance
36 contracts for property coverage in this State. The county must distribute any funds it
37 receives under this section to the fire districts in its county. The amount each fire district
38 receives is its proportionate share based upon the property tax values in its district
39 compared to the property tax values in all the fire districts of that county.

40 These funds shall be held by the treasurer as a separate and distinct fund. The fire
41 district shall immediately pay the funds to the treasurer of the local board of trustees
42 upon the treasurer's election and qualification, for the use of the board of trustees of the
43 firemen's local relief fund in each fire district, which board shall be composed of five

1 members, residents of the fire district as hereinafter provided for, to be used by it for the
2 purposes provided in G.S. 58-84-35."

3 **SECTION 3.** G.S. 58-87-1, as amended by Section 8 of S.L. 2006-196,
4 reads as rewritten:

5 "**§ 58-87-1. (Effective January 1, 2008) Volunteer Fire Department Fund.**

6 (a) Fund. – The Volunteer Fire Department Fund is created as an
7 interest-bearing, nonreverting fund in the Department to provide matching grants to
8 volunteer fire departments to purchase equipment and make capital improvements. The
9 Commissioner shall administer the Fund. Up to two percent (2%) of the Fund may be
10 used for additional staff and resources to administer the Fund in each fiscal year.

11 (a1) Grant Program. – An eligible fire department may apply to the Commissioner
12 for a grant under this section. In awarding grants under this section, the Commissioner
13 must, to the extent possible, select applicants from all parts of the State based upon
14 need. The Commissioner must award the grants on May 15 of each year subject to the
15 following limitations:

16 (1) The size of a grant may not exceed ~~twenty thousand dollars~~
17 ~~(\$20,000);~~thirty thousand dollars (\$30,000).

18 (2) The applicant shall match the grant on a dollar-for-dollar ~~basis;~~basis.

19 (3) The grant may be used only for equipment purchases, payment of
20 highway use taxes on those purchases, or capital expenditures
21 necessary to provide fire protection ~~services;~~and services.

22 (4) An applicant may receive no more than one grant per fiscal year.

23 (b) Eligible Fire Department. – A fire department is eligible for a grant under this
24 section if it meets all of the conditions of this subsection. No fire department may be
25 declared ineligible for a grant solely because it is classified as a municipal fire
26 department.

27 (1) It serves a response area of ~~6,000~~12,000 or less in population. In
28 making the population determination, the Department must use the
29 most recent annual population estimates certified by the State Budget
30 Officer.

31 (2) It consists entirely of volunteer members, with the exception that the
32 unit may have paid members to fill the equivalent of ~~three~~six full-time
33 paid positions.

34 (3) It has been certified by the Department of Insurance.

35 (c) Report. – The Commissioner must submit a written report to the General
36 Assembly within 60 days after the grants have been made. This report must contain the
37 amount of the grant and the name of the recipient."

38 **SECTION 4.** Section 1 of this act is effective for taxable years beginning on
39 or after January 1, 2008. The remainder of this act becomes effective January 1, 2008.