

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE DRH70316-LC-129A (05/07)

Short Title: Malpractice Insurance Tax Credit.

(Public)

Sponsors: Representative Glazier.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A TAX CREDIT FOR MEDICAL CARE PROVIDERS TO
THE EXTENT THEIR MALPRACTICE INSURANCE PREMIUMS EXCEED AN
APPROPRIATE AMOUNT.

The General Assembly of North Carolina enacts:

SECTION 1. Article 3B of Chapter 105 of the General Statutes is amended
by adding a new section to read:

"§ 105-129.16D. Credit for medical malpractice insurance expenses.

(a) Distressed Area Practitioners. – A medical care provider that provides
medical care services in this State and provides at least seventy-five percent (75%) of
the services in tier one, two, or three enterprise areas is allowed a credit equal to either
of the following, at the option of the taxpayer:

(1) Ten percent (10%) of the amount by which the taxpayer's annual
medical liability insurance premiums for the taxable year exceed
twenty thousand dollars (\$20,000) per practitioner covered by the
insurance.

(2) Twenty percent (20%) of the amount by which the taxpayer's annual
medical liability insurance premiums for the taxable year exceed sixty
thousand dollars (\$60,000) per practitioner covered by the insurance.

(b) Other Practitioners. – A medical care provider that provides medical care
services in this State and provides less than seventy-five percent (75%) of the services
in tier one, two, or three enterprise areas is allowed a credit equal to either of the
following, at the option of the taxpayer:

(1) Five percent (5%) of the amount by which the taxpayer's annual
medical liability insurance premiums for the taxable year exceed thirty
thousand dollars (\$30,000) per practitioner covered by the insurance.

1 (2) Ten percent (10%) of the amount by which the taxpayer's annual
2 medical liability insurance premiums for the taxable year exceed
3 seventy thousand dollars (\$70,000) per practitioner covered by the
4 insurance.

5 (c) Allocation. – If the taxpayer is an individual who is a nonresident or a
6 part-year resident, the taxpayer must reduce the amount of the credit by multiplying it
7 by the fraction calculated under G.S. 105-134.5(b) or (c), as appropriate. If the taxpayer
8 is not an individual and is required to apportion its multistate business income to this
9 State, the taxpayer must reduce the amount of the credit by multiplying it by the
10 apportionment fraction used to apportion its business income to this State.

11 (d) Definitions. – The following definitions apply in this section:

12 (1) Annual medical liability insurance premiums. – The actual amount of
13 insurance premiums paid by the taxpayer during the taxable year for
14 medical malpractice insurance coverage under a claims-made
15 malpractice insurance policy and for tail insurance.

16 (2) Claims-made malpractice insurance policy. – A medical malpractice
17 liability insurance policy that covers claims that satisfy all of the
18 following conditions:

19 a. Are reported during the policy period.

20 b. Meet the provisions specified by the policy.

21 c. Are for an incident that occurred during the policy period or
22 occurred before the policy period, as specified by the policy.

23 (3) Enterprise tier. – Defined in G.S. 105-129.2.

24 (4) Medical care provider. – Either of the following:

25 a. A practitioner.

26 b. A professional corporation, professional limited liability
27 company, or partnership authorized by law to provide medical
28 care services in the regular course of business or practice of a
29 profession.

30 (5) Medical care services. – The practice of medicine, surgery, and
31 nursing as regulated by Chapter 90 of the General Statutes.

32 (6) Practitioner. – A physician, physician's assistant, or nurse authorized
33 by Chapter 90 of the General Statutes to provide medical services in
34 the regular course of business or practice of a profession.

35 (7) Tail insurance. – Insurance that covers a medical care provider insured
36 once a claims-made malpractice insurance policy is canceled, not
37 renewed, or terminated and that covers claims made or asserted after
38 the cancellation or termination for acts relating to the provision of
39 medical care services by the medical care provider occurring during
40 the period the prior malpractice insurance was in effect."

41 **SECTION 2.** This act becomes effective for taxable years beginning on or
42 after January 1, 2005.