

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003

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HOUSE BILL 1297

Short Title: Malpractice Insurance Tax Credit. (Public)

Sponsors: Representatives Glazier, Dickson, Jones (Primary Sponsors); Bordsen, Gibson, LaRoque, and McLawhorn.

Referred to: Rules, Calendar, and Operations of the House.

May 15, 2003

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.

(2) Ten percent (10%) of the amount by which the taxpayer's annual  
medical liability insurance premiums for the taxable year exceed

1                    seventy thousand dollars (\$70,000) per practitioner covered by the  
2                    insurance.

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

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

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

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

17            a.     Are reported during the policy period.

18            b.     Meet the provisions specified by the policy.

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

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

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

23            a.     A practitioner.

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

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

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

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

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