

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003**

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**SENATE BILL 660**

Short Title: Gross Premiums Tax Equalization.

(Public)

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Sponsors: Senators Kerr, Rand; Gulley and Metcalf.

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Referred to: Finance.

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April 1, 2003

A BILL TO BE ENTITLED  
AN ACT TO EQUALIZE THE GROSS PREMIUMS TAX RATES LEVIED  
AGAINST ARTICLE 65 CORPORATIONS, HEALTH MAINTENANCE  
ORGANIZATIONS, AND OTHER INSURERS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-228.5(d) reads as rewritten:

"(d) Tax Rates; Disposition. –

- (1) Workers' Compensation. – The tax rate to be applied to gross premiums, or the equivalent thereof in the case of self-insurers, on contracts applicable to liabilities under the Workers' Compensation Act is two and five-tenths percent (2.5%). The net proceeds shall be credited to the General Fund.
- (2) Other Insurance Contracts. – The tax rate to be applied to gross premiums on all other taxable contracts issued by insurers or health maintenance organizations and to be applied to gross premiums and gross collections from membership dues, exclusive of receipts from cost plus plans, received by Article 65 corporations is one and nine-tenths percent (1.9%). The net proceeds shall be credited to the General Fund.
- (3) Additional Statewide Fire and Lightning Rate. – An additional tax shall be applied to gross premiums on contracts of insurance applicable to fire and lightning coverage, except in the case of marine and automobile policies, at the rate of one and thirty-three hundredths percent (1.33%). Twenty-five percent (25%) of the net proceeds of this additional tax shall be deposited in the Volunteer Fire Department Fund established in Article 87 of Chapter 58 of the General Statutes. The remaining net proceeds shall be credited to the General Fund.
- (4) Additional Local Fire and Lightning Rate. – An additional tax shall be applied to gross premiums on contracts of insurance applicable to fire

1 and lightning coverage within fire districts at the rate of one-half of  
2 one percent (1/2 of 1%). The net proceeds shall be credited to the  
3 Department of Insurance for disbursement pursuant to G.S. 58-84-25.

4 (5) ~~(Effective January 1, 2004) Article 65 Corporations. — The tax rate to~~  
5 ~~be applied to gross premiums and/or gross collections from~~  
6 ~~membership dues, exclusive of receipts from cost plus plans, received~~  
7 ~~by Article 65 corporations is one percent (1%). The net proceeds shall~~  
8 ~~be credited to the General Fund.~~

9 (6) ~~(Effective January 1, 2004) Health Maintenance Organizations. — The~~  
10 ~~tax rate to be applied to gross premiums on insurance contracts issued~~  
11 ~~by health maintenance organizations is one percent (1%). The net~~  
12 ~~proceeds shall be credited to the General Fund."~~

13 **SECTION 2.** G.S. 58-6-25(a) and (e) read as rewritten:

14 "(a) Charge Levied. — There is levied on each insurance company an annual  
15 charge for the purposes stated in subsection (d) of this section. The charge levied in this  
16 section is in addition to all other fees and taxes. The percentage rate of the charge is  
17 established pursuant to subsection (b) of this section. ~~For each insurance company that~~  
18 ~~is not an Article 65 corporation nor a health maintenance organization, the~~ The rate is  
19 applied to the company's premium tax liability for the taxable year. ~~For Article 65~~  
20 ~~corporations and health maintenance organizations, the rate is applied to a premium tax~~  
21 ~~liability for the taxable year calculated as if the corporation or organization were paying~~  
22 ~~tax at the rate in G.S. 105-228.5(d)(2).~~ In determining an insurance company's premium  
23 tax liability for a taxable year, the following shall be disregarded:

- 24 (1) Additional taxes imposed by G.S. 105-228.8.  
25 (2) The additional local fire and lightning tax imposed by G.S.  
26 105-228.5(d)(4).  
27 (3) Any tax credits for guaranty or solvency fund assessments under G.S.  
28 105-228.5A or G.S. 97-133(a).  
29 (4) Any tax credits allowed under Chapter 105 of the General Statutes  
30 other than tax payments made by or on behalf of the taxpayer.

31 ...

32 (e) Definitions. — The following definitions apply in this section:

- 33 (1) ~~Article 65 corporation. — Defined in G.S. 105-228.3.~~  
34 (2) Insurance company. — A company that pays the gross premiums tax  
35 levied in G.S. 105-228.5 and G.S. 105-228.8.  
36 (3) Insurer. — Defined in G.S. 105-228.3."

37 **SECTION 3.** This act is effective for taxable years beginning on or after  
38 January 1, 2005.