

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007**

**SENATE BILL 238  
RATIFIED BILL**

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) **Additional Rate on Property Coverage Contracts.** – An additional tax at the rate of ~~eighty five hundredths percent (.85%)~~ seventy-four hundredths percent (0.74%) 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:

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

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

**"§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

(a) **Distribution.** – The Insurance Commissioner shall deduct the sum of three percent (3%) from the tax proceeds credited to the Department pursuant to G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's Association for general purposes. The Insurance Commissioner shall deduct the sum of two percent (2%) from the tax proceeds and retain the same in the budget of the

Department of Insurance for the purpose of administering the disbursement of funds by the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by nonmember fire districts to the North Carolina State Firemen's Association. The Insurance Commissioner shall ~~pay distribute~~ the remaining tax proceeds to the treasurer of each fire district ~~on a per capita basis, using the most recent annual population estimates certified by the State Budget Officer.~~ as provided in subsections (b) and (c) of this section.

(b) Allocation to Counties. – The Insurance Commissioner shall allocate to each county an amount of tax proceeds based upon the amount allocated to it in the previous year. If the amount allocable in the current year is less than the amount allocated in the previous year, then the Commissioner shall reduce the amount allocated to each county. The amount of the reduction is equal to the difference in the amount allocated in the previous year and the amount allocable in the current year multiplied by a fraction, the numerator of which is the population of the county and the denominator of which is the population of the State. If the amount allocable in the current year is greater than the amount allocated in the previous year, then the Commissioner shall increase the amount allocated to each county. The amount of the increase is equal to the excess proceeds multiplied by a fraction, the numerator of which is the population of the county and the denominator of which is the population of the State.

(c) Distribution to Fire Districts. – Once the Insurance Commissioner has allocated the tax proceeds to a county under subsection (b) of this section, the Commissioner shall distribute those allocations to the fire districts in that county. The amount distributed to each fire district is equal to the total amount allocated to the county multiplied by a fraction, the numerator of which is the tax value of the property located in the fire district and the denominator of which is the tax value of all property located in any fire district in that county. A county shall provide the Commissioner with the tax value of property located in each fire district in that county by January 1 of each year. If a county does not submit information that the Commissioner needs to make a distribution by the date the information is due, the Commissioner shall distribute the allocation based on the most recent information the Commissioner has.

(d) Administration. – These funds shall be held by the treasurer of a fire district as a separate and distinct fund. The fire district shall immediately pay the funds to the treasurer of the local board of trustees upon the treasurer's election and qualification, for the use of the board of trustees of the firemen's local relief fund in each fire district, which board shall be composed of five members, residents of the fire district as hereinafter provided for, to be used by it for the purposes provided in G.S. 58-84-35."

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

**"§ 58-87-1. Volunteer Fire Department Fund.**

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

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

- (1) The size of a grant may not exceed ~~twenty thousand dollars (\$20,000);~~ thirty thousand dollars (\$30,000).
- (2) The applicant shall match the grant on a dollar-for-dollar ~~basis;~~ basis.

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

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

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

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

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

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

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

**SECTION 4.** Notwithstanding G.S. 58-84-25, as amended by this section, for the initial allocation of tax proceeds after January 1, 2008, the Insurance Commissioner shall calculate the allocation by setting the previous year's allocation as the amount of tax proceeds distributed in the previous year to the fire districts located in each county. If a fire district is located in more than one county, the Commissioner must allocate the distribution between those counties in proportion to the tax value of the property in the district located in each county.

**SECTION 5.** Section 1 of this act is effective for taxable years beginning on or after January 1, 2008. The remainder of this act becomes effective January 1, 2008.

In the General Assembly read three times and ratified this the 11<sup>th</sup> day of July, 2007.

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Beverly E. Perdue  
President of the Senate

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Joe Hackney  
Speaker of the House of Representatives

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Michael F. Easley  
Governor

Approved \_\_\_\_\_ .m. this \_\_\_\_\_ day of \_\_\_\_\_, 2007