

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 238*
Finance Committee Substitute Adopted 6/6/07

Short Title: Modify Tax on Property Coverage Contract.

(Public)

Sponsors:

Referred to:

February 21, 2007

A BILL TO BE ENTITLED

1 AN ACT TO ADJUST THE ADDITIONAL TAX RATE ON PROPERTY
2 COVERAGE CONTRACTS TO BE REVENUE NEUTRAL BASED ON AN
3 EXPANSION OF THE TAX BASE ENACTED IN S.L. 2006-196, TO INCREASE
4 THE DISTRIBUTION OF THE TAX PROCEEDS TO THE VOLUNTEER FIRE
5 DEPARTMENT FUND, TO AMEND THE VOLUNTEER FIRE DEPARTMENT
6 GRANT PROGRAM TO ALLOW MORE DEPARTMENTS TO QUALIFY FOR
7 GRANTS, AND TO MODIFY THE DISTRIBUTION OF TAX PROCEEDS TO
8 THE LOCAL FIREMEN'S RELIEF FUNDS.
9

10 The General Assembly of North Carolina enacts:

11 **SECTION 1.** G.S. 105-228.5(d)(3), as amended by Section 3 of S.L.
12 2006-196, reads as rewritten:

13 "(3) Additional Rate on Property Coverage Contracts. – An additional tax
14 at the rate of ~~eighty five hundredths percent (.85%)~~ seventy-four
15 hundredths percent (0.74%) applies to gross premiums on insurance
16 contracts for property coverage. The tax is imposed on ten percent
17 (10%) of the gross premiums from insurance contracts for automobile
18 physical damage coverage and on one hundred percent (100%) of the
19 gross premiums from all other contracts for property coverage. ~~Twenty~~
20 ~~percent (20%)~~ Thirty percent (30%) of the net proceeds of this
21 additional tax must be credited to the Volunteer Fire Department Fund
22 established in Article 87 of Chapter 58 of the General Statutes.
23 Twenty-five percent (25%) of the net proceeds must be credited to the
24 Department of Insurance for disbursement pursuant to G.S. 58-84-25.
25 The remaining net proceeds must be credited to the General Fund.

26 The following definitions apply in this subdivision:

- 27 a. Automobile physical damage. – The following lines of business
28 identified by the NAIC: private passenger automobile physical
29 damage and commercial automobile physical damage.

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

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

10 reads as rewritten:

11 **"§ 58-84-25. Disbursement of funds by Insurance Commissioner.**

12 (a) Distribution. – The Insurance Commissioner shall deduct the sum of three
13 percent (3%) from the tax proceeds credited to the Department pursuant to
14 G.S. 105-228.5(d)(3) and pay the same over to the treasurer of the State Firemen's
15 Association for general purposes. The Insurance Commissioner shall deduct the sum of
16 two percent (2%) from the tax proceeds and retain the same in the budget of the
17 Department of Insurance for the purpose of administering the disbursement of funds by
18 the board of trustees in accordance with the provisions of G.S. 58-84-35. The Insurance
19 Commissioner shall, pursuant to G.S. 58-84-50, credit the amount forfeited by
20 nonmember fire districts to the North Carolina State Firemen's Association. The
21 Insurance Commissioner shall ~~pay~~ distribute the remaining tax proceeds to the treasurer
22 of each fire district ~~on a per capita basis, using the most recent annual population~~
23 ~~estimates certified by the State Budget Officer.~~ as provided in subsections (b) and (c) of
24 this section.

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

37 (c) Distribution to Fire Districts. – Once the Insurance Commissioner has
38 allocated the tax proceeds to a county under subsection (b) of this section, the
39 Commissioner shall distribute those allocations to the fire districts in that county. The
40 amount distributed to each fire district is equal to the total amount allocated to the
41 county multiplied by a fraction, the numerator of which is the tax value of the property
42 located in the fire district and the denominator of which is the tax value of all property
43 located in any fire district in that county. A county shall provide the Commissioner with
44 the tax value of property located in each fire district in that county by January 1 of each

1 year. If a county does not submit information that the Commissioner needs to make a
2 distribution by the date the information is due, the Commissioner shall distribute the
3 allocation based on the most recent information the Commissioner has.

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

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

12 "**§ 58-87-1. Volunteer Fire Department Fund.**

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

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

- 23 (1) The size of a grant may not exceed ~~twenty thousand dollars~~
24 ~~(\$20,000);~~ thirty thousand dollars (\$30,000).
25 (2) The applicant shall match the grant on a dollar-for-dollar ~~basis;~~ basis.
26 (3) The grant may be used only for equipment purchases, payment of
27 highway use taxes on those purchases, or capital expenditures
28 necessary to provide fire protection ~~services;~~ and services.
29 (4) An applicant may receive no more than one grant per fiscal year.

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

- 34 (1) It serves a response area of ~~6,000~~ 12,000 or less in population. In
35 making the population determination, the Department must use the
36 most recent annual population estimates certified by the State Budget
37 Officer.
38 (2) It consists entirely of volunteer members, with the exception that the
39 unit may have paid members to fill the equivalent of ~~three-six~~ three full-time
40 paid positions.
41 (3) It has been certified by the Department of Insurance.

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

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

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