

ADOPTED



NORTH CAROLINA GENERAL ASSEMBLY
AMENDMENT
Senate Bill 628

AMENDMENT NO. A1
(to be filled in by
Principal Clerk)

S628-ARB-35 [v.4]

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Amends Title [NO]
Second Edition

Date _____, 2017

Senator Tucker

1 moves to amend the bill on page 10, lines 46 and 47, by inserting the following new sections
2 between those lines to read:

3 **"SECTION 1.11.(a)** G.S. 105-228.5(d)(3) reads as rewritten:

4 '(3) Additional Rate on Property Coverage Contracts. – An additional tax at the
5 rate of seventy-four hundredths percent (0.74%) applies to gross premiums
6 on insurance contracts for property coverage. The tax is imposed on ten
7 percent (10%) of the gross premiums from insurance contracts for
8 automobile physical damage coverage and on one hundred percent (100%)
9 of the gross premiums from all other contracts for property coverage.
10 Twenty percent (20%) of the net proceeds of this additional tax must be
11 credited to the Volunteer Fire Department Fund established in Article 87 of
12 Chapter 58 of the General Statutes. Twenty percent (20%) of the net
13 proceeds must be credited to the Department of Insurance for disbursement
14 pursuant to G.S. 58-84-25. Up to twenty percent (20%), as determined in
15 accordance with G.S. 58-87-10(f), must be credited to the Workers'
16 Compensation Fund. The remaining net proceeds must be credited to the
17 General Fund. The additional tax imposed on property coverage contracts
18 under this subdivision is a special purpose assessment based on gross
19 premiums and not a gross premiums tax.'

20 **SECTION 1.11.(b)** The gross premiums tax is a tax imposed on the gross
21 premiums of insurers, Article 65 corporations, health maintenance organizations, and
22 self-insurers. Entities subject to the gross premiums tax are not subject to franchise or income
23 taxes. In S.L. 2009-548, the General Assembly broadened the taxes against which the business
24 and energy tax credits could be taken from income and franchise taxes to income, franchise,
25 and gross premiums taxes.

26 The gross premiums tax rate is set in G.S. 105-228.5(d)(1) and (2). Separate and
27 apart from the gross premiums taxes, G.S. 105-228.5(d)(3) imposes an additional tax that is
28 calculated using a person's gross premiums but is not considered part of the gross premiums tax
29 imposition. The Department of Revenue has historically administered the gross premium tax
30 and the additional tax imposed under G.S. 105-228.5 as two separate and distinct taxes.
31 Satisfied with this administration, the General Assembly did not address the separate treatment
32 of the two taxes in S.L. 2009-548. It is the intent of this section to further clarify for taxpayers



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- 1 the accuracy of and to endorse the Department's interpretation of the current and continuing
- 2 state of the law by expressly codifying the long-standing interpretation of the additional tax
- 3 imposed by G.S. 105-228.5(d)(3) as a separate and distinct tax that is based upon gross
- 4 premiums but is not a gross premiums tax."

SIGNED _____
Amendment Sponsor

SIGNED _____
Committee Chair if Senate Committee Amendment

ADOPTED _____ FAILED _____ TABLED _____

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