

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 2017
Committee Substitute Favorable 6/8/89

Short Title: Fire Ins. Premium Tax.

(Public)

Sponsors:

Referred to:

May 11, 1989

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE GROSS PREMIUM TAX ON FIRE INSURANCE.

The General Assembly of North Carolina enacts:

Section 1. Effective for taxable years beginning on or after January 1, 1990,
G.S. 105-228.5 reads as rewritten:

"§105-228.5. Taxes measured by gross premiums.

~~The only taxes upon insurance companies shall be: fees and licenses under this Article, or as specified in Chapter 58 of the General Statutes of North Carolina as amended; taxes imposed by Chapter 118 of the General Statutes of North Carolina; taxes imposed by Article 5 of Chapter 105 of the General Statutes of North Carolina as amended; and ad valorem taxes upon real property and personal property owned in this State.~~

(a) Except as otherwise provided in this section, the only taxes upon insurance companies shall be:

- (1) Fees and licenses under this Article, or as specified in Chapter 58 of the General Statutes of North Carolina as amended;
- (2) Taxes imposed by Chapter 118 of the General Statutes of North Carolina;
- (3) Taxes imposed by Article 5 of Chapter 105 of the General Statutes of North Carolina as amended; and
- (4) Ad valorem taxes upon real property and personal property owned in this State.

1 **(b)** Every insurance company shall pay to the Commissioner of Insurance a tax of
2 one percent (1%) on the gross premiums from contracts of insurance applicable to fire
3 and lightning coverage, except marine and automobile policies, during the preceding
4 calendar year.

5 **(c)** For the purposes of this section, gross premiums shall mean any and all
6 premiums written during the calendar year for contracts covering property or risks in
7 this State, other than for contracts for reinsurance, whether such premiums are
8 designated as premiums, deposits, premium deposits, policy fees, membership fees, or
9 assessments. Gross premiums shall be deemed to have been written for the amounts as
10 provided in the policy contracts, new and renewal, becoming effective during the year
11 irrespective of the time or method of making payment or settlement for such premiums,
12 and with no deduction for dividends whether returned in cash or allowed in payment or
13 reduction of premiums or for additional insurance, and without any other deduction
14 except for return of premiums, deposits, fees or assessments for adjustment of policy
15 rates or for cancellation or surrender of policies.

16 **(d)** In determining the amount of gross premiums from business in this State all
17 gross premiums received in this State, or credited to policies written or procured in this
18 State, or derived from business written in this State shall be deemed to be for contracts
19 covering persons, property or risks resident in this State except for such premiums as
20 are properly reported and properly allocated as being received from business done in
21 some other nation, territory, state or states, and except for premiums from policies
22 written in federal areas for persons in military service who pay premiums by assignment
23 of service pay.

24 **(e)** The president, secretary, or other executive officer of each insurance
25 company subject to tax under this section shall within the first 15 days of March file
26 with the Commissioner of Insurance a full and accurate report of the total gross
27 premiums on contract of insurance applicable to fire and lighting coverage, except
28 marine and automobile policies. The report shall be in such form and contain such
29 information as the Commissioner of Insurance may specify, and the report shall be
30 verified by the oath of the company official transmitting the same or by some principal
31 of at the home or head office of the company or association in this country. At the time
32 of making such report the taxes levied under this section shall be paid to the
33 Commissioner of Insurance. These provisions shall likewise apply to reports and taxes
34 for any firm, corporation, or association exchanging reciprocal or interinsurance
35 contracts, and said reports and taxes shall be transmitted by their attorneys-in-fact.

36 **(f)** Insurance companies subject to a tax liability under this section of ten
37 thousand dollars (\$10,000) or more for business done in North Carolina during the
38 immediately preceding year shall remit three equal quarterly installments with each
39 installment equal, to at least thirty-three and one-third percent (33 1/3%) of the premium
40 tax liability incurred in the immediately preceding taxable year. The quarterly
41 installment payments shall be made on or before April 15, June 15, and October 15 of
42 each taxable year. The company shall remit the balance by the following March 15 in
43 the same manner provided in this section for annual returns. The Commissioner of
44 Insurance may, by regulation, permit an insurance company to pay less than the

1 required estimated payment when the insurer reasonably believes that the total
2 estimated payments made for the current year will exceed the total anticipate tax
3 liability for the year.

4 (g) If a company does not meet the installment requirement of this section, the
5 Commissioner of Insurance shall assess a penalty on underpayments that is equal to the
6 interest rate adopted by the Secretary of Revenue under G.S. 105-241.1(i). Any
7 overpayment shall be credited to the company and applied against the taxes imposed
8 upon the company under this Article.

9 (h) The provisions as to reports and taxes measured by gross premiums shall not
10 apply to framers' mutual assessment fire insurance companies or to fraternal orders or
11 societies that do not operate for a profit and do not issue policies on any person except
12 members."

13 Sec. 2. The provisions of the Section 5.1 of Chapter 1031, Session Laws of
14 1985, Regular Session, 1986, as amended by Section 4 of Chapter 814, Session Laws of
15 1987, that repeal G.S. 105-228.6 for taxable years beginning on or after January 1,
16 1990, are hereby repealed.

17 Sec. 3. This act shall become effective on January 1, 1990 and applies to
18 taxable years beginning on and after that date.