

May 10, 2006

**H 1891. CLARIFY ADDITIONAL GROSS PREMIUMS TAX.** Filed 5/10/06. *TO CLARIFY THE APPLICATION OF THE ADDITIONAL GROSS PREMIUMS TAXES ON FIRE AND LIGHTNING COVERAGE AND TO APPLY THE ADDITIONAL TAX TO ALL POLICIES THAT PROVIDE FIRE AND LIGHTNING COVERAGE.* Currently, GS 105-228.5(d)(3) imposes an additional tax at the rate of 1.33% on gross premiums on insurance contracts that provide fire and lightning coverage, but exempts marine and automobile policies from tax. This act amends the section effective January 1, 2006, to vary the percentage of gross premiums subject to the tax according to the type of insurance policy as follows: (1) fire loss – 100%; (2) nonliability portion of commercial multiple peril – 100%, liability portion – 0%; (3) homeowner's – 50%; (4) farm owner's – 35%. Provides that the same taxable percentages will apply to the local fire and lightning tax rate of 0.5%. Eliminates the exemption for marine and automobile policies effective January 1, 2007, and provides that the percentage of gross premiums of those policies subject to the tax will be 20% for marine policies and 10% for automobile and all other policies.

**Intro. by Wainwright.**

GS 105

July 10, 2006

**H 1891. SIMPLIFY FIRE & LIGHTNING TAX RATE (NEW).** Filed 5/10/06. House committee substitute makes the following changes to 1st edition. Modifies proposed amendments to GS 105-228.5(d)(3) (additional statewide fire and lightning rate) by changing the rate applicable to farm owners' policies from 35% to 30%. Deletes other proposed amendments to the same provision, which would have become effective beginning with the 2007 tax year, and instead amends the provision as follows effective beginning with the 2008 tax year: (1) Replaces the tax structure with a tax rate of 0.85% of gross premiums on insurance contracts providing property coverage. (2) Provides that in the case of automobile physical damage coverage, the tax applies to only 10% of the gross premiums. (3) Changes the distribution to the Volunteer Fire Department Fund from 25% to 20% of the net proceeds. (4) Distributes another 25% of the net proceeds to the Department of Insurance for distribution under GS 58-84-25 (replacing the funds from the local fire and lightning tax, repealed by the bill).

Deletes proposed changes to GS 105-228.5(d)(4) (additional local fire and lightning rate) and instead repeals the provision effective beginning with the 2008 tax year. Makes conforming changes to GS 105-228.5(b), (e), and (f).

Changes the basis for distributing funds to fire districts under GS 58-84-25 from the amount of insurance business done in each district to the population of each district and repeals the associated report (GS 58-84-1), effective January 1, 2008. Directs the Revenue Laws Study Committee to study the rewrite of the fire and lightning tax and the distribution of its net proceeds, with a report due in 2007. Reorganizes and clarifies GS 58-87-1 (Volunteer Fire Department Fund).

July 13, 2006

**H 1891. SIMPLIFY FIRE TAX RATE/OTHER TAX CHANGES (NEW).** Filed 5/10/06. Senate committee substitute makes the following changes to 2nd edition. Clarifies the effective date of proposed amendments to GS 105-228.5(d)(3). Modifies the definition of holding company in GS 105-120(c) (franchise tax) to provide that voting capital interests are treated the same as stock, effective beginning with the 2007 tax year. Effective beginning with the 2006 tax year, provides an exception to the corporate income tax royalty reporting election in GS 105-130.7A(c) for certain income that is taxed to a related member by another country. Amends GS 105-259(b)(5d) (tax secrecy) to authorize the Department of Revenue to share retail sales tax information with counties and cities that need it to collect a local occupancy tax that applies to the same retailers. Changes from January 1, 2007, to July 1, 2007, the effective date of the amendments to GS 105-187.51B (privilege tax on certain research and development companies) in Section 24.9 of the 2006 Appropriations Act (SL 2006-66).

August 4, 2006

**SL 2006-196 (H 1891). SIMPLIFY FIRE TAX RATE/OTHER TAX CHANGES.** AN ACT TO CLARIFY AND SIMPLIFY THE APPLICATION OF THE ADDITIONAL GROSS PREMIUMS TAXES ON FIRE AND LIGHTNING COVERAGE AND TO MAKE TECHNICAL AND CLARIFYING TAX LAW CHANGES. Summarized in *Daily Bulletin* 5/10/06, 7/10/06, and 7/13/06. Enacted August 3, 2006. Section 1 and 10 are effective for taxable years beginning on or after January 1, 2006. Sections 2–5 are effective for taxable years beginning on or after January 1, 2008. Sections 6–8 are effective January 1, 2008. Section 9 is effective for taxable years beginning on or after January 1, 2007. The remainder is effective August 3, 2006.