2025-2026 General Assembly

SENATE BILL 257: 2026 Appropriations Act, Sec. 44.5: Add the Insurance Regulatory Charge to the Gross Premiums Tax Rate

Analysis of:	S.L. 2026-41, Sec. 44.5	**Date:**	August 27, 2026
		Prepared by:	Legislative Analysis Division Staff

Section 44.5 of S.L. 2026-41 (Senate Bill 257), as amended by Section 6 of S.L. 2026-58 (House Bill 562) and expanded upon by Section 7.13 of S.L. 2026-61 (House Bill 268), changes the flow of funding for the Department of Insurance (Department). Currently, an annual Insurance Regulatory Charge (Charge) is levied on each insurance company, other than a captive insurance company, at the rate of 6.5% of a company's premium tax liability. The proceeds of the Charge are credited to the Insurance Regulatory Fund (Fund), which is used to reimburse the General Fund for various appropriations that support the operations of the Department.

This section eliminates the Charge and offsets the elimination by increasing the insurance premiums tax rates of the insurance companies subject to the Charge by a percentage equal to the Charge. It also eliminates the reimbursement of operating costs from the Fund to the General Fund. The effect of this section is to shift special fund revenue to the General Fund. The increased tax rates are as follows:

- Worker's Compensation: 2.6625% (previously 2.5%, a 6.5% increase)
- Prepaid health plans: 2.0235% (previously 1.9%, a 6.5% increase)
- Other insurance contracts: 2.0235% (previously 1.9%, a 6.5% increase)

To spend down the balance in the Fund, this section allows the Department to continue using available funds that were collected and placed in the Fund prior to January 1, 2027, for any of the allowable purposes set out in G.S. 58-6-25(d) prior to its amendment by this section. Moreover, Section 7.13 of S.L. 2026-61 explicitly authorizes the Department to use up to one million two hundred thousand ($1,200,000) in nonrecurring funds from the available cash balance of the Fund for legal expenses incurred by the Department, which is an approved use of the Fund prior to its modification.

Section 44.5 of S.L. 2026-41 (Senate Bill 257), as amended by Section 6 of S.L. 2026-58 (House Bill 562), is effective for taxable years beginning on or after January 1, 2027, and applies to funds collected for those taxable years. For amounts collected from the Charge after January 1, 2027, but attributable to taxable years beginning before that date, those funds must be placed in the Fund and used for the designated Fund purposes prior to the modifications by this section. Section 7.13 of S.L. 2026-61 is also effective January 1, 2027.