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# *The* **NORTH CAROLINA REGISTER**

**IN THIS ISSUE.....**

**EXECUTIVE ORDERS**

**FINAL DECISION LETTER**

**PROPOSED RULES**

**Agriculture**

**Housing Finance**

**Insurance**

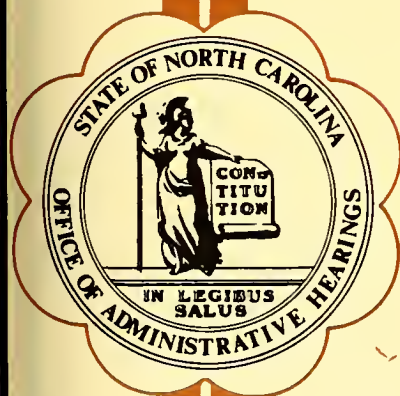
**NRCD**

**FINAL RULES**

**Revenue**

**ISSUE DATE: FEBRUARY 1, 1989**

**Volume 3 • Issue 21 • Pages 989-1009**



# INFORMATION ABOUT THE NORTH CAROLINA REGISTER AND ADMINISTRATIVE CODE

## NORTH CAROLINA REGISTER

The *North Carolina Register* is published bi-monthly and contains information relating to agency, executive, legislative and judicial actions required by or affecting Chapter 150B of the General Statutes. All proposed, administrative rules and amendments filed under Chapter 150B must be published in the Register. The Register will typically comprise approximately fifty pages per issue of legal text.

State law requires that a copy of each issue be provided free of charge to each county in the state and to various state officials and institutions. The *North Carolina Register* is available by yearly subscription at a cost of one hundred and five dollars (\$105.00) for 24 issues.

Requests for subscriptions to the *North Carolina Register* should be directed to the Office of Administrative Hearings, P. O. Drawer 11666, Raleigh, N. C. 27604, Attn: *Subscriptions*.

## ADOPTION, AMENDMENT, AND REPEAL OF RULES

An agency intending to adopt, amend, or repeal a rule must first publish notice of the proposed action in the *North Carolina Register*. The notice must include the time and place of the public hearing; a statement of how public comments may be submitted to the agency either at the hearing or otherwise; the text of the proposed rule or amendment; a reference to the Statutory Authority for the action and the proposed effective date.

The Director of the Office of Administrative Hearings has authority to publish a summary, rather than the full text, of any **amendment** which is considered to be too lengthy. In such case, the full text of the rule containing the proposed amendment will be available for public inspection at the Rules Division of the Office of Administrative Hearings and at the office of the promulgating agency.

Unless a specific statute provides otherwise, at least 30 days must elapse following publication of the proposal in the *North Carolina Register* before the agency may conduct the required public hearing and take action on the proposed adoption, amendment or repeal.

When final action is taken, the promulgating agency must file any adopted or amended rule for approval by the Administrative Rules Review Commission. Upon approval of ARRC, the adopted or amended rule must be filed with the Office of Administrative Hearings. If it differs substantially from the proposed form published as part of the public notice, upon request by the agency, the adopted version will again be published in the *North Carolina Register*.

A rule, or amended rule cannot become effective earlier than the first day of the second calendar month after the adoption is filed with the Office of Administrative Hearings for publication in the NCAC.

Proposed action on rules may be withdrawn by the promulgating agency at any time before final action is taken by the agency.

## TEMPORARY RULES

Under certain conditions of an emergency nature, some agencies may issue temporary rules. A temporary rule becomes effective when adopted and remains in

effect for the period specified in the rule or 180 days whichever is less. An agency adopting a temporary rule must begin normal rule-making procedures on the permanent rule at the same time the temporary rule adopted.

## NORTH CAROLINA ADMINISTRATIVE CODE

The North Carolina Administrative Code (NCAC) is a compilation and index of the administrative rules of 25 state agencies and 38 occupational licensing boards. The NCAC comprises approximately 15,000 letter size single spaced pages of material of which approximately 35% is changed annually. Compilation and publication of the NCAC is mandated by G.S. 150B-63(b).

The Code is divided into Titles and Chapters. Each state agency is assigned a separate title which is further broken down by chapters. Title 21 is designated for occupational licensing boards.

The NCAC is available in two formats.

- (1) Single pages may be obtained at a minimum cost of two dollars and 50 cents (\$2.50) for pages or less, plus fifteen cents (\$0.15) per each additional page.
- (2) The full publication consists of 52 volumes totaling in excess of 15,000 pages. It is supplemented monthly with replacement pages. One year subscription to the full publication including supplements can be purchased for seven hundred and fifty dollars (\$750.00). Individual volumes may also be purchased with supplement service. Renewal subscriptions for supplements to the initial publication available.

Requests for pages of rules or volumes of the NCAC should be directed to the Office of Administrative Hearings.

## NOTE

The foregoing is a generalized statement of the procedures to be followed. For specific statutory language it is suggested that Articles 2 and 5 of Chapter 150B of the General Statutes be examined carefully.

## CITATION TO THE NORTH CAROLINA REGISTER

The *North Carolina Register* is cited by volume, issue number and date. 1:1 NCR 101-201, April 1, 1988 refers to Volume 1, Issue 1, pages 101 through 201 of the *North Carolina Register* issued on April 1, 1988.

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**North Carolina Administrative Code.** Published in looseleaf notebooks with supplement service by the Office of Administrative Hearings, P.O. Drawer 11666, Raleigh, North Carolina 27604, pursuant to Chapter 150B of the General Statutes. Subscriptions seven hundred and fifty dollars (\$750.00). Individual volumes available.

# **NORTH CAROLINA REGISTER**



*Office of Administrative Hearings  
P. O. Drawer 11666  
Raleigh, NC 27604  
(919) 733 - 2678*

Robert A. Melott,  
*Director*  
James R. Scarcella Sr.,  
*Deputy Director*  
Molly Masich,  
*Director APA Services*

**Staff:**  
Ruby Creech,  
*Publications Coordinator*  
Teresa Kilpatrick,  
*Editorial Assistant*  
Jean Shirley,  
*Editorial Assistant*

## **ISSUE CONTENTS**

### **I. EXECUTIVE ORDERS**

Executive Orders 79-81..... 989

### **II. FINAL DECISION LETTER**

Voting Rights Act..... 991

### **III. PROPOSED RULES**

#### **Agriculture**

Markets..... 992

Plant Industry..... 992

Veterinary Division ..... 993

#### **Independent Agencies**

N.C. Housing Finance

Agency.....1000

#### **Insurance**

Fire and Casualty Division ..... 993

#### **NRCD**

Wildlife Resources

Commission ..... 998

### **IV. FINAL RULES**

#### **Revenue**

Individual Income Tax

Division .....1002

### **V. CUMULATIVE INDEX .....1006**

**NORTH CAROLINA REGISTER**  
*Publication Deadlines and Schedules*  
*(January 1989 - May 1990)*

Issue Date	Last Day for Filing	Last Day for Electronic Filing	Earliest Date for Public Hearing & Adoption by Agency	* Earliest Effective Date
*****	*****	*****	*****	*****
01/02/89	12/08/88	12/15/88	02/01/89	05/01/89
01/16/89	12/27/88	01/03/89	02/15/89	05/01/89
02/01/89	01/10/89	01/17/89	03/03/89	06/01/89
02/15/89	01/26/89	02/02/89	03/17/89	06/01/89
03/01/89	02/08/89	02/15/89	03/31/89	07/01/89
03/15/89	02/21/89	03/02/89	04/14/89	07/01/89
04/03/89	03/10/89	03/17/89	05/03/89	08/01/89
04/14/89	03/23/89	03/31/89	05/14/89	08/01/89
05/01/89	04/10/89	04/17/89	05/31/89	09/01/89
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06/15/89	05/24/89	06/01/89	07/15/89	10/01/89
07/03/89	06/12/89	06/19/89	08/01/89	11/01/89
07/14/89	06/22/89	06/29/89	08/13/89	11/01/89
08/01/89	07/11/89	07/18/89	08/31/89	12/01/89
08/15/89	07/25/89	08/01/89	09/14/89	12/01/89
09/01/89	08/11/89	08/18/89	10/01/89	01/01/90
09/15/89	08/24/89	08/31/89	10/15/89	01/01/90
10/02/89	09/11/89	09/18/89	11/01/89	02/01/90
10/16/89	09/25/89	10/02/89	11/15/89	02/01/90
11/01/89	10/11/89	10/18/89	12/01/89	03/01/90
11/15/89	10/24/89	10/31/89	12/15/89	03/01/90
12/01/89	11/07/89	11/15/89	12/31/89	04/01/90
12/15/89	11/22/89	12/01/89	01/14/90	04/01/90
01/02/90	12/07/89	12/14/89	02/01/90	05/01/90
01/16/90	12/20/89	12/29/89	02/15/90	05/01/90
02/01/90	01/10/90	01/18/90	03/03/90	06/01/90
02/15/90	01/25/90	02/01/90	03/17/90	06/01/90
03/01/90	02/08/90	02/15/90	03/31/90	07/01/90
03/15/90	02/22/90	03/01/90	04/14/90	07/01/90
04/02/90	03/12/90	03/19/90	05/02/90	08/01/90
04/16/90	03/23/90	03/30/90	05/16/90	08/01/90
05/01/90	04/09/90	04/17/90	05/31/90	09/01/90
05/15/90	04/24/90	05/01/90	06/14/90	09/01/90

\* The "Earliest Effective Date" is computed assuming that the public hearing and adoption occur in the calendar month immediately following the "Issue Date", that the agency files the rule with The Administrative Rules Review Commission by the 20th of the same calendar month and that ARRC approves the rule at the next calendar month meeting.



EXECUTIVE ORDER NUMBER 79

NORTH CAROLINA SMALL BUSINESS  
COUNCIL

By the authority vested in me as Governor by the Constitution and laws of North Carolina it is ORDERED:

Executive Order Number 10 dated June 28, 1985, is amended to read as follows:

There is hereby established the North Carolina Small Business Council. The Council shall be composed of at least 20 members with at least one member residing in each congressional district. All members shall be appointed by the Governor and serve at the pleasure of the Governor. The Governor shall designate one of the members as Chairman and one as Vice-Chairman. In addition to the minimum number of 20, the members shall include representatives of the National Federation of Independent Business, N.C. Retail Merchants Association, the United States Small Business Administration and North Carolina Citizens for Business and Industry.

The Council shall meet at least once in each quarter and may hold special meetings at any time at the call of the Chairman, the Governor or the Secretary of Commerce. The members of the Council shall receive per diem, reimbursement for travel and subsistence expenses for their services in accordance with State subsistence allowance.

The purposes of the North Carolina Small Business Council are:

- (a) To support the Governor's small business legislative initiatives and to solicit support in an effort to effect passage of the initiatives.
- (b) To prepare and present recommendations to the Governor and General Assembly for changes in statutes, rules and regulations, including the State tax structure, which affect small businesses in North Carolina.
- (c) To make recommendations to the Governor and General Assembly for new legislation, agency programs and other actions needed to assist small business growth and development.
- (d) To assist the Small Business Development Division of the Department of Commerce in determining the need for programs for small businesses in education, training, marketing, funding resources, technological assistance and related areas.

The Council is authorized to conduct interviews and solicit non-confidential information to carry out the provisions of (a), (b), (c) and (d) above.

The Small Business Development Division of the Department of Commerce shall provide staff and support services for the Council.

It shall be the responsibility of each department or agency head to make every reasonable effort for his or her department to cooperate with the North Carolina Small Business Council to carry out the provisions of this Order.

This Order shall be effective immediately and shall remain in effect until June 30, 1990, unless terminated earlier or extended by further Executive Order.

Done in the Capital City of Raleigh, North Carolina, this 5th day of January, 1989.

EXECUTIVE ORDER NUMBER 80

NORTH CAROLINA DRUG CABINET

The trafficking and abuse of illegal drugs in our society represents a problem so serious and so pervasive that it threatens to undermine all the major goals of our State.

It is a costly disease which takes its toll in wasted education, degraded health and jumbled productivity, as well as in the criminal activity undertaken to pay for it.

We are still just beginning to come to grips with this critical problem.

To raise this concern to a far higher commitment, I hereby establish a team of Cabinet rank officials to develop and recommend the most effective strategy for North Carolina's war on drugs.

THEREFORE, by authority vested in me as Governor by the Constitution and laws of North Carolina, IT IS ORDERED:

Section 1. ESTABLISHMENT

There is hereby established the North Carolina Drug Cabinet.

Section 2. MEMBERSHIP

(a) The Cabinet shall be composed of the following officials of the State of North Carolina:

- (i) the Lieutenant Governor;
- (ii) the Attorney General;
- (iii) the Superintendent of Public Instruction;
- (iv) the Secretary of the Department of Human Resources;
- (v) the Secretary of the Department of Crime Control and Public Safety;

- (vi) the Secretary of the Department of Commerce;
  - (vii) the Secretary of the Department of Correction;
  - (viii) the Secretary of the Department of Transportation.
- (b) The Lieutenant Governor shall be Chairman of the Cabinet.

### Section 3. MEETINGS

(a) The Cabinet shall meet at such times and locations as designated by the Chairman but not less than monthly. All members shall attend all meetings in person unless prevented from doing so by illness or by their official duties having priority over their responsibilities as Cabinet members, in which case absent members may be represented by their designees.

(b) For the purpose of conducting business a quorum of the Cabinet shall consist of six members or their designees.

### Section 4. PURPOSE

(a) The Cabinet shall prepare and submit forthwith to the Governor a proposed comprehensive plan for effectively combatting trafficking and illegal drug use in North Carolina, including appropriate punishment, and for the education and treatment of those citizens suffering from drug abuse and dependency.

(b) Prior to submitting the comprehensive plan to the Governor, the Cabinet may develop and recommend to the Governor such intermediate measures in the areas of drug abuse prevention, treatment, law enforcement and punishment as the Cabinet deems appropriate.

### Section 5. ADVISORY COUNCILS

The Governor's Council on Alcohol and Drug Abuse Among Children and Youth established by Executive Order 23 and the Governor's Inter-Agency Advisory Team on Alcohol and Other Drug Abuse created by Executive Order 53 shall act as advisors to the Cabinet. The Cabinet may establish other advisory councils as needed to provide the Cabinet with expert advice

in specified areas such as law enforcement related activities, health treatment and education.

### Section 6. COOPERATION OF STATE AGENCIES

On request all agencies and departments of the State of North Carolina shall cooperate with the Cabinet in the development of the comprehensive plan, and in the development and recommendation to the Governor of such immediate actions as determined necessary under Section 4(b) of this Order.

### Section 7. ADMINISTRATIVE SUPPORT AND EXPENSES

Those agencies and departments represented in the Cabinet shall provide such staff and administrative support as may be requested by the Cabinet.

### Section 8.

This order shall be effective immediately and shall remain in effect until terminated.

Done in Raleigh, North Carolina, this the 10th day of January, 1989.

## EXECUTIVE ORDER NUMBER 81

### AMENDMENT TO EXECUTIVE ORDER NUMBER 80 NORTH CAROLINA DRUG CABINET

By authority vested in me as Governor by the Constitution and laws of North Carolina, IT IS ORDERED:

Section 2 of Executive Order Number 80 entitled "North Carolina Drug Cabinet" is amended by adding to the membership of the Cabinet the Secretary of the Department of Administration.

All other sections and provisions of Executive Order Number 80 shall remain in effect.

This order shall be effective immediately and shall remain in effect until terminated.

Done in Raleigh, North Carolina, this the 12th day of January 1989.

**VOTING RIGHTS ACT FINAL DECISION LETTER**

---

*[G.S. 120-30.9H, effective July 16, 1986, requires that all letters and other documents issued by the Attorney General of the United States in which a final decision is made concerning a "change affecting voting" under Section 5 of the Voting Rights Act of 1965 be published in the North Carolina Register.]*

U.S. Department of Justice  
Civil Rights Division

JPT:LLT:dvs  
DJ 166-012-3  
Y1042  
Y1134-1135

Voting Section  
P.O. Box 66128  
Washington, D.C. 20035-6128

January 6, 1989

Michael Crowell, Esq.  
Tharrington, Smith & Hargrove  
P. O. Box 1151  
Raleigh, North Carolina 27602

Dear Mr. Crowell:

This refers to the redistricting of the Oak Hill/Walnut Grove/Tally Ho/Sassafras Fork and Tally Ho/Brassfield/Fishing Creek districts, the filing deadline for unaffiliated candidates in the special general election, and the schedule for newly elected commissioners to take office for the county commission in Granville County, North Carolina, submitted to the Attorney General pursuant to Section 5 of the Voting Rights Act of 1965, as amended, 42 U.S.C. 1973c. We received your submission on December 30, 1988. In accordance with your request, expedited consideration has been given this submission pursuant to the Procedures for the Administration of Section 5 (28 C.F.R. 51.34).

The Attorney General does not interpose any objections to the changes in question. However, we feel a responsibility to point out that Section 5 of the Voting Rights Act expressly provides that the failure of the Attorney General to object does not bar any subsequent judicial action to enjoin the enforcement of such changes. In addition, as authorized by Section 5, the Attorney General reserves the right to reexamine this submission if additional information that would otherwise require an objection comes to his attention during the remainder of the sixty-day review period. See also 28 C.F.R. 51.41 and 51.43.

Because the status of the redistricting is at issue in McGhee v. Granville County, No. 87-29-CIV-5 (E.D.N.C.), we are providing a copy of this letter to the court in that case.

Sincerely,

James P. Turner  
Acting Assistant Attorney General  
Civil Rights Division

By:

Barry H. Weinberg  
Acting Chief, Voting Section

cc: Honorable James C. Fox  
United States District Judge

Leslie J. Winner, Esq.

**TITLE 2 - DEPARTMENT OF AGRICULTURE**

*Notice is hereby given in accordance with G.S. 150B-12 that the N.C. Board of Agriculture intends to amend rule(s) cited as 2 NCAC 43L .0113; 52B .0207; 52C .0105; and adopt 48C .0027.*

*The proposed effective date of this action is June 1, 1989.*

*The public hearing will be conducted at 10:00 a.m. on March 15, 1989 at Board Room, Agriculture Bldg., 1 W. Edenton St., Raleigh, N.C.*

*Comment Procedures: Interested persons may present statements either orally or in writing at the public hearing or in writing prior to the hearing by mail addressed to David S. McLeod, Secretary of the North Carolina Board of Agriculture, P.O. Box 27647, Raleigh, NC 27611.*

**CHAPTER 43 - MARKETS**

**SUBCHAPTER 43L - MARKETS**

**SECTION .0100 - FEES: STATE FARMERS' MARKET AT RALEIGH**

**.0113 GATE FEES**

Gate fees shall be as follows:

(1) Wholesale Fees:

- |  |         |
|--|---------|
| (a) cars or station wagons                     | \$ 3.00 |
| (b) car and trailer                            | 6.00    |
| (c) trucks less than one ton                   | 4.00    |
| (d) trucks less than one ton and trailer       | 8.00    |
| (e) trucks one ton thru 6 wheel (straight job) | 7.00    |
| (f) trucks - 10 wheel or tractor and trailer   | 8.00    |

(g) sellers of out-of-state products shall pay twice the above-stated fees.

(2) Truckers Shed Fees:

- |  |  |
|--|--|
| (a) trucks less than one ton                   | \$ 6.00 first day<br>6.00 following days |
| (b) trucks less than one ton and trailer       | 9.00 first day<br>6.00 following days    |
| (c) trucks one ton thru 6 wheel (straight job) | 8.00 first day<br>6.00 following days    |
| (d) trucks 10 wheel or tractor and trailer     | 10.00 first day<br>8.00 following days   |
| (e) space by week - \$36.00 to begin on Monday |  |

- (f) space by month - \$90.00 to begin only from 1-10 on a calendar month - rates after the 10th will be daily or weekly

(3) Retail Fees - Retail Shed:

	Day	Week*	Month**
(a) all months	\$5.00	\$30.00	\$110.00

except June, July, August

(b) fees for June, July, August	\$6.00	\$36.00	\$130.00
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(a) <u>all months except June, July, August</u>			\$ 6.00
---	--	--	---------

(b) <u>fees for June, July, August</u>			7.00
--	--	--	------

(c) bean and pea shellers will be \$1.00 per day

(d)(c) off season holding fee of \$75.00 to guarantee space\*\* applies only to center shed and Christmas tree growers.

\* applies only for spaces under center retail shed

\*\* applies only to center shed and Christmas tree growers

(4) Retail Fees - Farmers Area:

(a) <u>all months except June, July, August</u>			\$ 5.00
---	--	--	---------

(b) <u>fees for June, July, August</u>			6.00
--	--	--	------

(c) sellers of out-of-state products shall pay twice the above-stated fees.

(+)(5) Delivery Fees:

(a) cars, cars/trailers, pickups, pickups/trailers, straight trucks 6 wheels:

less than 100 packages	\$ 1.00
100 - 250 packages	2.00
over 250 packages	3.00

(b) 10 wheelers or tractor trailers:

less than 100 packages	\$ 2.00
100 - 400 packages	3.00
over 400 packages	5.00

Statutory Authority G.S. 106-530.

**CHAPTER 48 - PLANT INDUSTRY**

**SUBCHAPTER 48C - SEEDS**

**.0027 LABEL REQUIREMENTS FOR TREATED SEEDS**

(a) All seeds which are treated shall be labeled to show the following information on a separate label, or on the same label as used for other information (purity, germination, etc.) required under the North Carolina Seed Law or on the container of seed.

(1) A word or statement in type no smaller than eight points indicating that the seed has been treated.

(2) The commonly accepted coined, chemical (generic) or abbreviated chemical name



of a substance or a description of any process (other than application of a substance) used in such treatment in type no smaller than eight points.

- (3) A caution statement if the substance used in such treatment in the amount remaining with the seed is harmful to humans or other vertebrate animals.

- (4) All seeds treated with a poisonous substance, if the amount remaining with the seed is in excess of a tolerance recognized by the U.S. Department of Agriculture, or treatment for which no tolerance or exemption from tolerance is recognized by the U.S. Department of Agriculture, shall be conspicuously colored to prevent their subsequent inadvertent use for purposes other than for seeding.

(b) Seed treated with a mercurial of similarly toxic substance, if any amount remains with the seed, shall be labeled to show a statement such as "Poison," "Poison Treated," or "Treated with Poison." The word "Poison" shall be in type no smaller than eight points and shall be in red letters of a distinctly contrasting background. In addition, the label shall show a representation of a skull and crossbones at least twice the size of the type used for the word "Poison" and the statement indicating that the seed has been treated.

(c) Seed treated with other harmful substances (other than mercurials or similarly toxic substances), if the amount remaining with the seed is harmful to humans or other vertebrate animals, shall be labeled to show the word "Caution" in red letters in type no smaller than eight points, followed by the statement "Do not use for food, feed, or oil" in type no smaller than eight points. Seed treated with substances other than mercurials or similarly toxic substances in containers of four ounces or less need not be labeled to show the caution statement.

(d) Seed commingled with treated seed shall be labeled "treated," and the percentage of treated seed and the substance used shall be stated.

(e) If the seed is treated with an inoculant, the date beyond which the inoculant is not to be considered effective (date of expiration) shall be declared on the label.

*Statutory Authority G.S. 106-277.15.*

## CHAPTER 52 - VETERINARY DIVISION

### SUBCHAPTER 52B - ANIMAL DISEASE

#### SECTION .0200 - ADMISSION OF LIVESTOCK TO NORTH CAROLINA

#### .0207 IMPORTATION REQUIREMENTS: SWINE

(c) All feeder swine imported into the state shall be accompanied by an official health certificate issued by a state, federal or accredited veterinarian stating that:

- (1) No pseudorabies vaccine has been used in the herd of origin, unless the herd is a pseudorabies Controlled Vaccinated herd as defined in Title 9, Part 85.1 of the Code of Federal Regulations, or a pseudorabies monitored vaccinated herd; ~~or~~ and

*Statutory Authority G.S. 106-307.5; 106-316.1; 106-317; 106-318.*

### SUBCHAPTER 52C - CONTROL OF LIVESTOCK DISEASES: MISCELLANEOUS PROVISIONS

#### SECTION .0100 - DISEASED AND DEAD ANIMALS

#### .0105 PSEUDORABIES STATUS AND TESTING

(a) Feeding and breeding swine may not be transported on any public road or held in any public place unless accompanied by a written permit from the State Veterinarian or proof satisfactory to the State Veterinarian that:

- (1) No pseudorabies vaccine has been used in the herd of origin, unless the herd is a pseudorabies Controlled Vaccinated herd as defined in Title 9, Part 85.1 of the Code of Federal Regulations, or a pseudorabies monitored vaccinated herd; ~~or~~ and

*Statutory Authority G.S. 106-22(3); 106-400.1.*

## TITLE 11 - DEPARTMENT OF INSURANCE

*Notice is hereby given in accordance with G.S. 150B-12 that the Department of Insurance intends to amend and adopt rules cited as 11 NCAC 10 .1102 and .1104.*

*The proposed effective date of this action is June 1, 1989.*

*The public hearing will be conducted at 10:00 a.m. on March 3, 1989 at Third Floor Hearing Room, Dobbs Building, 430 N. Salisbury Street, Raleigh, N.C. 27611.*

*Comment Procedures: Written comments may be sent to Pete Murdza, Actuarial Services, P.O. Box 26387, Raleigh, N.C. 27611. Oral presenta-*

tions may be made at the public hearing. Anyone having questions should call Pete Murdza at (919) 733-3284, or Linda Stott at (919) 733-4700.

CHAPTER 10 - FIRE AND CASUALTY  
DIVISION

SECTION .1100 - RATE FILINGS

.1102 APPLICABILITY

The followings items indicate which section of this Regulation is applicable to a particular filing. Note that rate filings must be submitted separately and under independent cover from forms and rules filings.

- (\*) (1) Rule .1103 applies to all workers' compensation insurance rate filings made by the North Carolina Rate Bureau.
- (2) Rule .1104 applies to all nonfleet private passenger automobile insurance rate filings made by the North Carolina Rate Bureau or the North Carolina Reinsurance Facility.
- (\*) (3) Rule .1106 applies to all applications for deviations from the rates of the North Carolina Rate Bureau.
- (4) Rule .1107 applies to all rates filings (including those involving deviations from the rates of licensed rating organizations other than the North Carolina Rate Bureau) other than those involving:
  - (a) Lines of insurance under the jurisdiction of the North Carolina Rate Bureau;
  - (b) Nonfleet private passenger automobile insurance rates for the North Carolina Reinsurance Facility;
- (5) Filings are not required for rate changes involving the following kinds of insurance:
  - (a) Accident;
  - (b) Annuities;
  - (c) Aviation physical damage;
  - (d) Mortgage guaranty;
  - (e) Fidelity and surety;
  - (f) Health;
  - (g) Inland marine that is not written according to manual rates and rating plans;
  - (h) Life;
  - (i) Ocean marine.
- (6) Filings are not required for rate changes involving the following types of policies:
  - (a) Those pursuant to the Surplus Lines Act;
  - (b) Those written under the FAIR Plan;
  - (c) Those written under the Beach Plan that include coverages other than only wind-storm and hail;
  - (d) Those issued in North Carolina covering multistate risks except in respect to coverages applicable to North Carolina locations;

(e) Those issued by town or county farmers mutual fire insurance association restricting its operations to not more than five counties in this State that are adjacent to the county in which the home office is located.

(7) Filings are required for all whether advisory, suggested, or specific rates for those lines of insurance other than those listed in (5) in this Rule. Such rates may be filed either as specific rates or ranges of rates from which the rates for individual risks will be determined.

Statutory Authority G.S. 58-9; 58-124.20; 58-124.23.

.1104 NONFLEET PRIVATE PASSENGER  
AUTOMOBILE

The information required by N.C.G.S. 58-124.20(h) for nonfleet private passenger automobile rate filings shall be presented as follows:

(NOTE: If in addition to the full years of data specified in any of the requests in this Rule, more recent data of less than a full year is available, that data shall also be provided. If updates to the information requested in this Rule become available before a decision is reached on the filing, they should also be provided.)

- (1) North Carolina premium, loss and loss adjustment experience;
- (a) Data from all companies writing nonfleet private passenger automobile insurance in North Carolina shall be included in the rate filing. If any company that has more than one percent of the North Carolina nonfleet private passenger automobile written premium is excluded from the rate level, trend, loss development, or investment income calculations for any coverage, identify the coverage, the company and its marketshare and provide an explanation for its exclusion. Also estimate the aggregate marketshare of other companies whose experience is excluded from those calculations.
- (b) If any company of the top one hundred writers of nonfleet private passenger automobile insurance in North Carolina is excluded from expense level calculations, identify that company and its marketshare and provide an explanation for its exclusion. Also estimate the aggregate market share of other companies whose experience is excluded from expense level calculations.
- (c) If the filing contains changes in classification differentials, describe any identifiable

- group of policies that have been excluded from the calculation of such differentials, indicate their percentage of the market, and provide an explanation for their exclusion.
- (d) For each coverage, premium at present rates shall be calculated. Indicate how such calculations were produced and supply supporting documentation for a sample of such calculations and justification of any aggregate factors used.
  - (e) The latest earned premiums and market-shares for the ten largest private passenger insurers in North Carolina shall be provided.
  - (f) Information from the Annual Statement on losses and premiums shall be included. Provide such information separately for the latest two Annual Statements for which aggregate data is available including the following items on a composite basis for the top 50 nonfleet private passenger insurers in North Carolina:
    - (i) North Carolina Page 14, Lines 19.1, 19.2, and 21.1;
    - (ii) Part 2, Lines 19 and 21;
    - (iii) Part 3A, Lines 19 and 21.
  - (g) The following information on companies deviating from Bureau nonfleet private passenger rates shall be included for each of the latest five years by coverage:
    - (i) A list of all deviating companies;
    - (ii) The estimated total manual premium written at deviated rates;
    - (iii) The estimated percentage of the entire statewide premium written at deviated rates;
    - (iv) The total amount of deviations in dollars;
    - (v) The average percentage deviation for deviating companies;
    - (vi) The average percentage deviation for all companies.
  - (h) The following information on companies issuing dividends on nonfleet private passenger automobile policies shall be included for each of the latest five years:
    - (i) A list of all companies issuing dividends;
    - (ii) The estimated total manual premium written from companies issuing dividends;
    - (iii) The estimated percentage of the entire statewide premium of companies issuing dividends;
    - (iv) The total amount of dividends in dollars;
    - (v) The average percentage dividend for companies issuing dividends;
    - (vi) The average percentage dividend for all companies.
  - (i) Whenever North Carolina losses are separated into excess (catastrophe) and non-excess (noncatastrophe) losses, a clear description and justification of the standard used to separate such losses shall be included. In determining an excess (catastrophe) loading, include as many years of data as possible. If the number of years included differs from the number available, provide an explanation. Also provide an explanation if the data from which the excess loading is derived differs from that on which the rate level change is based.
  - (j) Territorial rate calculations shall include written premiums, earned premiums, paid losses, incurred losses, and the number of claims by territory for each of the years used to determine the territorial relativities.
  - (k) If the filing contains changes to class differentials, include all information related to the derivation, including the following:
    - (i) A complete description of the methodology used to derive these factors;
    - (ii) A description of alternative methodologies considered;
    - (iii) A description of the criteria used to select a methodology;
    - (iv) Details on application of these criteria in the selection of a methodology for this filing;
    - (v) Details on the application of the methodology to this filing.
- (2) Credibility factor development and application. All information related to the derivation of credibility factors contained in the filing should be provided:
    - (a) A complete description of the methodology used to derive these factors;
    - (b) A description of alternative methodologies considered;
    - (c) A description of the criteria used to select a methodology;
    - (d) Details on application of these criteria in the selection of a methodology for this filing;
    - (e) Details on the application of the methodology to this filing.
  - (3) Loss development factor development and application:
    - (a) All information related to the derivation of loss development factors contained in the filing shall be provided including the following:



- (i) A complete description of the methodology used to derive these factors;
- (ii) A description of alternative methodologies considered;
- (iii) A description of the criteria used to select a methodology;
- (iv) Details on application of these criteria in the selection of a methodology for this filing;
- (v) Details on the application of the methodology to this filing.
- (b) Provide for each coverage complete (including the upper left portion) total limits paid loss development triangles for the ten latest available accident years at all available development points for matching companies. Also provide the corresponding loss development factors and five-year average factors derivable from these triangles.
- (c) Provide the information in (b) for basic limits paid losses.
- (d) Provide the information in (b) and (c) for incurred losses.
- (e) Provide the information in (b) for the number of paid claims.
- (f) Provide the information in (b) for the number of outstanding claims.
- (g) Provide the information in (b), (c), (d), (e), and (f) separately for voluntary and ceded business.
- (h) For each of the ten largest writers of private passenger automobile insurance in North Carolina, a statement regarding any reserve strengthening or weakening that has occurred in the last five years shall be included.
- (4) Trending factor development and application:
  - (a) The following trend data, shown separately for frequency and severity, for the latest available five years shall be included in the filing for all coverages both countrywide and for North Carolina:
    - (i) Fast-track loss data;
    - (ii) All North Carolina internal loss trend data;
    - (iii) Internal and external expense trend data.
  - (b) For all trend data described in this Rule, annual trend factors shall be calculated and coefficients of correlations determined.
    - (i) Include calculations for the latest 6, 9, 12 and 15-point periods.
    - (ii) Include calculations on both an exponential and straight line basis.
- (c) All information related to the derivation of trend factors contained in the filing shall be provided including the following:
  - (i) A complete description of the methodology used to derive these factors;
  - (ii) A description of alternative methodologies considered;
  - (iii) A description of the criteria used to select a methodology;
  - (iv) Details on application of these criteria in the selection of a methodology for this filing;
  - (v) Details on the application of the methodology to this filing.
- (d) Information, including studies, analyses, and fact sheets, regarding the effects (both countrywide and in North Carolina) of the following items shall be provided. If the effects have been incorporated into the rate filing, describe in detail the methodologies used.
  - (i) Changes in seat belt use;
  - (ii) Changes in the drinking age;
  - (iii) Changes in the price and amount purchased of gasoline;
  - (iv) Changes in the average monthly miles traveled by individual drivers;
  - (v) Other legislative, regulatory, social, or economic factors that could have an impact on loss frequency or severity.
- (5) Changes in premium base and exposures. Data on the mix of exposures by different policy terms shall be submitted. For the latest five years, include the number of policies for different policy terms.
- (6) Limiting factor development and application. Information on the following items shall be provided:
  - (a) Limitations on losses included in the statistical data used in the filing;
  - (b) Limitations on the extent of the rate level change by coverage;
  - (c) Limitations on the extent of territorial rate changes;
  - (d) Any other limitations applied.
- (7) Expenses:
  - (a) All information related to the derivation of expense provisions contained in the filing shall be provided including the following:
    - (i) A complete description of the methodology used to derive these factors;
    - (ii) A description of alternative methodologies considered;
    - (iii) A description of the criteria used to select a methodology;



- (iv) Details on application of these criteria in the selection of a methodology for this filing;
- (v) Details on the application of the methodology to this filing.
- (b) Earned premium and unallocated loss adjustment expenses for each of the latest five years shall be included. If available, provide such information by coverage and groups of coverages.
- (c) For each of ten largest writers of private passenger automobile insurance in North Carolina, statements regarding any expense cutting activities undertaken in the last five years shall be provided.
- (8) The percent rate change:
  - (a) The overall statewide rate change shall be shown as well as the amount of the change attributable to each of the following: loss experience, the trend factor, a change in expense provisions, law changes, a change in the tax provision, a change in the assessment provision, and other changes.
  - (b) The information described in (a) of this Rule shall also be provided by coverage and for physical damage coverages by deductible.
- (9) Proposed rates:
  - (a) Proposed rates for each territory and coverage shall be provided.
  - (b) If the filing contains changes to the classification differentials, these differentials shall also be described. Also include an explanation of how classification rates are determined and a sample calculation.
- (10) Investment earnings. Information on anticipated investment income is necessary to establish the provision for underwriting profit in the rates.
  - (a) Information on the amount of investment income earned on loss, loss expense, and unearned premium reserves in relation to earned premium for private passenger automobile in North Carolina shall be calculated for the latest two years and estimated for the current year and all years during which the proposed rates will be in effect. Calculations shall be provided in detail including the amount of the composite reserves of each type at the beginning and end of each of the specified years.
  - (b) Information on the estimated average length of time that elapses between the occurrence of an insured loss and its payment shall be provided by coverage. Indicate how the length by coverage has changed over the last five years.
- (c) To evaluate recent insurer profitability, composite information from the Annual Statement for the top 50 insurers writing nonfleet private passenger automobile insurance in North Carolina shall be included. Provide the following information from the latest two Annual Statements for which aggregate data is available in the same format and detail as the exhibits in individual company statements:
  - (i) Page 2 (Assets);
  - (ii) Page 3 (Liabilities, Surplus and Other Funds);
  - (iii) Page 4 (Underwriting and Investment Exhibit);
  - (iv) Insurance Expense Exhibit, Part II, columns 19.1, 19.2 and 21.1.
- (11) Identification and Certification of Statistical Plans:
  - (a) All statistical plans used or consulted in preparing this filing shall be identified. Also describe the data compiled by each plan.
  - (b) A certification that there is no evidence that the data that was collected in accordance with such statistical plans and utilized in the rate filing are not true and accurate representations of each company's experience to the best of its knowledge shall also be provided.
- (12) Investment Earnings on Capital and Surplus. Given the selected underwriting profit and contingencies loadings contained in the filing, indicate the resulting rate of return on equity capital, and on total assets including consideration of investment income shall be calculated. Show the derivation of all factors used in producing the calculations. Provide justification that these rates of return are reasonable and fair.
- (13) Level of Capital/Surplus Needed:
  - (a) Aggregate premium to surplus ratios for the latest three calendar years for all companies writing nonfleet private passenger automobile insurance in North Carolina shall be included.
  - (b) Estimates of comparable ratios for the years during which the rates will be in effect shall also be provided.
- (14) Other Information:
  - (a) All information relating to the derivation of the profit and contingency loadings contained in the filing shall be provided including the following:

- (i) A complete description of the methodology used to derive these loadings;
- (ii) A description of alternative methodologies considered;
- (iii) A description of the criteria used to select a methodology;
- (iv) Details on application of these criteria in the selection of a methodology for this filing;
- (v) Details on the application of the methodology to this filing.
- (b) Agendas and minutes of meetings of the North Carolina Rate Bureau affecting the filing shall be included as well as a list of all attendees at these meetings, their titles, and their affiliations.
- (c) Payments to any other consultants (including lawyers, actuaries, and economists) related to this filing and the previous one on nonfleet private passenger automobile shall be described. If payments are not specifically identified as related to individual filings, estimate the charges.

*Statutory Authority G.S. 58-9; 58-124.20(h).*

## TITLE 15 - DEPARTMENT OF NATURAL RESOURCES AND COMMUNITY DEVELOPMENT

*Notice is hereby given in accordance with G.S. 150B-12 that the North Carolina Wildlife Resources Commission intends to amend rule(s) cited as 15 NCAC 10D .0003.*

*The proposed effective date of this action is July 1, 1989.*

*The public hearing will be conducted at 10:00 a.m. on March 3, 1989 at Room 386, Archdale Building, 512 N. Salisbury Street, Raleigh, North Carolina.*

*Comment Procedures: Interested persons may present their views either orally or in writing at the hearing. In addition, the record of hearing will be open for receipt of written comments from February 16, 1989 to March 17, 1989. Such written comments must be delivered or mailed to the N.C. Wildlife Commission, 512 N. Salisbury St., Raleigh, NC 27611.*

## CHAPTER 10 - WILDLIFE RESOURCES AND WATER SAFETY

### SUBCHAPTER 10D - GAME LANDS REGULATIONS

#### .0003 HUNTING ON GAME LANDS

- (d) Hunting Dates
  - (3) Any game may be taken on the following game lands during the open season, except that:
    - (A) Bears may not be taken on lands designated and posted as bear sanctuaries;
    - (B) Wild boar may not be taken with the use of dogs on such bear sanctuaries, and wild boar may be hunted only during the bow and arrow seasons and the regular gun season on male deer on bear sanctuaries located in and west of the counties of Madison, Buncombe, Henderson and Polk;
    - (C) On game lands located in or west of the counties of Rockingham, Guilford, Randolph, Montgomery and Anson, dogs may not be used for any hunting (day or night) during the regular season for hunting deer with guns; except that small game may be hunted with dogs in season on all game lands, other than bear sanctuaries, in the counties of Cherokee, Clay, Jackson, Macon, Madison, Polk and Swain;
    - (D) On Croatan, Goose Creek, New Hope and Shearon Harris Game Lands waterfowl may be taken only on Mondays, Wednesdays, Saturdays; on Thanksgiving, Christmas and New Years Days; and on the opening and closing days of the applicable waterfowl seasons; except that outside the posted waterfowl impoundments on Goose Creek Game Land hunting any waterfowl in season is permitted any week day during the last 10 days of the regular duck season as established by the U.S. Fish and Wildlife Service;
    - (E) On the posted waterfowl impoundments of Gull Rock Game Land hunting of any species of wildlife is limited to Mondays, Wednesdays, Saturdays; Thanksgiving, Christmas, and New Years Days; and the opening and closing days of the applicable waterfowl seasons;
    - (F) On bear sanctuaries in and west of Madison, Buncombe, Henderson and Polk Counties dogs may not be trained or allowed to run unleashed between March 1 and October 11;
    - (G) On Butner-Falls of Neuse and Person Game Lands waterfowl may be taken only on Tuesdays, Thursdays and Saturdays, Christmas and New Year's Days, and on

the opening and closing days of the applicable waterfowl seasons;

(II) On Angola Bay, Croatan, Goose Creek, Hofmann Forest and Tuscarora Game Lands deer of either sex may be taken during the period November 30 through December 3; and

(I) Additional restrictions or modifications apply as indicated in parentheses following specific designations.

Alexander and Caldwell Counties--Brushy Mountains Game Lands

Anson County--Anson Game Land

Ashe County--Bluff Mountain Game Lands

Ashe County--Cherokee Game Lands

Ashe and Watauga Counties--Elk Knob Game Land

Avery, Buncombe, Burke, Caldwell, Haywood, Henderson, Jackson, Madison, McDowell, Mitchell, Transylvania, Watauga and Yancey Counties--Pisgah Game Lands (Harmon Den and Sherwood Bear Sanctuaries in Haywood County are closed to hunting raccoon, opossum and wildcat. Training raccoon and opossum dogs is prohibited from March 1 to October 11 in that part of Madison County north of the French Broad River, south of US 25-70 and west of SR 1319.)

Beaufort, Bertie and Washington Counties--Bachelor Bay Game Lands

Beaufort and Pamlico Counties--Goose Creek Game Land

Brunswick County--Green Swamp Game Land

Burke County--South Mountains Game Lands

Burke, McDowell and Rutherford Counties--Dysartsville Game Lands

Caldwell County--Yadkin Game Land

Carteret County--Lukens Island Game Land

Carteret, Craven and Jones Counties--Croatan Game Lands

Chatham County--Chatham Game Land

Chatham, Durham, Orange, and Wake Counties--New Hope Game Lands

Chatham and Wake Counties--Shearon Harris Game Land

Cherokee, Clay, Graham, Jackson, Macon, Swain and Transylvania Counties--Nantahala Game Lands (It is unlawful to take or hunt deer on Fires Creek Bear Sanctuary. Raccoon and opossum may be hunted only from sunset Friday until sunrise on Saturday and from sunset until 12:00 midnight on Saturday on Fires Creek Bear Sanctuary in Clay County and in that part of Cherokee County north of

US 64 and NC 294, east of Persimmon Creek and Hiwassee Lake, south of Hiwassee Lake and west of Nottely River; in the same part of Cherokee County dog training is prohibited from March 1 to October 11. It is unlawful to train dogs or allow dogs to run unleashed on Fires Creek Bear Sanctuary at any time, except that dogs may be used when hunting raccoon or opossum and for hunting grouse and rabbits during the open seasons. It is unlawful to train dogs or allow dogs to run unleashed on any game land in Graham County between March 1 and October 11.)

Chowan County--Chowan Game Land

Cleveland County--Gardner-Webb Game Land

Craven County--Neuse River Game Land

Craven County--Tuscarora Game Land

Currituck County--North River Game Land

Currituck County--Northwest River Marsh Game Land

Dare County--Dare Game Land (No hunting on posted parts of bombing range.)

Davidson, Davie and Rowan Counties--Alcoa Game Land

Davidson County--Linwood Game Land

Davidson, Montgomery, Randolph and Stanly Counties--Uwharrie Game Land

Duplin and Pender Counties--Angola Bay Game Land

Durham, Granville and Wake Counties--Butner-Falls of Neuse Game Land (On portions of the Butner-Falls of Neuse Game Land designated and posted as "safety zones" and on that part marked as the Penny Bend Rabbit Research Area no hunting is permitted. On portions posted as "restricted zones" hunting is limited to bow and arrow during the bow and arrow season and the regular gun season for deer.)

Franklin County--Franklin Game Lands

Gates County--Chowan Swamp Game Land

Granville County--Granville Game Lands

Halifax County--Halifax Game Land

Harnett County--Harnett Game Land

Henderson, Polk and Rutherford Counties--Green River Game Lands

Hyde County--Gull Rock Game Land

Hyde County--Pungo River Game Land

Hyde and Tyrrell Counties--New Lake Game Land

Jones and Onslow Counties--Hofmann Forest Game Land

Lee County--Lee Game Land



McDowell County--Hickory Nut Mountain Game Land  
 Moore County--Moore Game Land  
 New Hanover County--Catfish Lake Game Land  
 Northampton County--Northampton Game Land  
 Orange County--Orange Game Land  
 Person County--Person Game Land  
 Richmond County--Richmond Game Land  
 Transylvania County--Toxaway Game Land  
 Vance County--Vance Game Land  
 Warren County--Warren Game Lands  
 Wilkes County--Thurmond Chatham Game Land

*Statutory Authority G.S. 113-134; 113-264; 113-291.2; 113-291.5; 113-305.*

\* \* \* \* \*

*Notice is hereby given in accordance with G.S. 150B-12 that the North Carolina Wildlife Resources Commission intends to amend rule(s) cited as 15 NCAC 10F .0360; and adopt 10F .0361.*

*The proposed effective date of this action is June 1, 1989.*

*The public hearing will be conducted at 10:00 a.m. on March 3, 1989 at Room 386, Arehdale Building, 512 N. Salisbury Street, Raleigh, North Carolina.*

*Comment Procedures: Interested persons may present their views either orally or in writing at the hearing. In addition, the record of hearing will be open for receipt of written comments from February 16, 1989 to March 17, 1989. Such written comments must be delivered or mailed to the N.C. Wildlife Commission, 512 N. Salisbury St., Raleigh, NC 27611.*

#### SUBCHAPTER 10F - MOTORBOATS AND WATER SAFETY

#### SECTION .0300 - LOCAL WATER SAFETY REGULATIONS

##### .0360 GRAHAM COUNTY

(a) Regulated Area. This rule applies to the waters and portions of waters described as follows:

- (1) Lake Santeetlah Boat Dock on Lake Santeetlah in Graham County.
- (2) Fontana Lake in Graham County.

(b) Speed Limit. No person shall operate a vessel at greater than no-wake speed within 50 yards of the regulated ~~area~~ areas as described in Paragraph (a) of this Rule.

(c) Placement and Maintenance of Markers. The Graham County Board of Commissioners is designated a suitable agency for the placement and maintenance of markers implementing this Rule.

*Statutory Authority G.S. 75A-3; 75A-15.*

##### .0361 WILKES COUNTY

(a) Regulated Area. This Rule applies to those waters of W. Kerr Scott Reservoir located in Wilkes County.

(b) Speed Limit. No person shall operate any motorboat or vessel at greater than no-wake speed within any of the regulated area described in Paragraph (a) of this Rule.

(c) Placement and Maintenance of Markers. The Wilkes County Board of Commissioners is designated a suitable agency for placement and maintenance of the markers implementing this Rule.

*Statutory Authority G.S. 75A-3; 75A-15.*

#### TITLE 24 - INDEPENDENT AGENCIES

*Notice is hereby given in accordance with G.S. 150B-12 that the North Carolina Housing Finance Agency intends to adopt rule(s) cited as 24 NCAC 1B .0005.*

*The proposed effective date of this action is June 1, 1989.*

*The public hearing will be conducted at 9:00 a.m. on March 17, 1989 at North Carolina Housing Finance Agency, 3300 Drake Circle, Suite 200, Raleigh, N.C.*

*Comment Procedures: Written comments concerning this adoption must be submitted to the APA Coordinator by March 17, 1989. Oral comments may be presented at the hearing.*

#### CHAPTER 1 - N. C. HOUSING FINANCE AGENCY

#### SUBCHAPTER 1B - RULEMAKING PROCEDURES

##### .0005 PETITIONS FOR RULEMAKING

In accordance with G.S. 150B-16, any person desiring the adoption, amendment or repeal of a



## *PROPOSED RULES*

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rule by the Agency shall submit a petition to the Agency containing the following information:

- (1) Name of Agency;
- (2) A draft of the proposed rule;
- (3) Reasons for the adoption, amendment or repeal;
- (4) Data supporting the proposed rule;
- (5) The effect of the proposal on existing rules;
- (6) Effects of the proposed rule on persons likely to be affected by the rule;
- (7) Names (including addresses if known) of those most likely to be affected by the rule; and
- (8) Name(s) and address(es) of petitioner(s).

*Statutory Authority G.S. 122A-5; 150B-12; 150B-16.*

*Upon request from the adopting agency, the text of rules will be published in this section.*

*When the text of any adopted rule is identical to the text of that as proposed, adoption of the rule will be noted in the "List of Rules Affected" and the text of the adopted rule will not be republished.*

*Adopted rules filed by the Departments of Correction, Revenue and Transportation are published in this section. These departments are not subject to the provisions of G.S. 150B, Article 2 requiring publication of proposed rules.*

## TITLE 17 - DEPARTMENT OF REVENUE

### CHAPTER 6 - INDIVIDUAL INCOME TAX DIVISION

#### SUBCHAPTER 6B - INDIVIDUAL INCOME TAX

#### SECTION .0300 - PERSONAL EXEMPTION

##### .0312 OTHER CONSIDERATIONS

The status on the last day of the income year determines the right of the individual to the exemption with the following exceptions:

- (1) An individual is entitled to the exemptions for a husband, wife or dependents who died during the year.
- (2) An individual who shall have been divorced or separated or who shall have ceased to be head of household during the income year may claim the same exemption to which he or she would have been entitled if the change had not occurred, provided the status remained unchanged for the major portion of the income year.

Note: A married individual entitled to claim a two thousand two hundred dollars (\$2,200) exemption who separated from his or her spouse after the major portion of the year had passed may for that year claim a two thousand two hundred dollars (\$2,200) exemption although for the next year the exemption may be one thousand one hundred dollars (\$1,100). In this case, the individual with the larger adjusted gross income for the taxable year will be entitled to two thousand two hundred dollars (\$2,200).

The last day of the income year for an individual who has died is the date of death; therefore, the major portion of the income year for a deceased individual who was di-

vorced or was a head of household is the major portion of the period from the first day of the income year to the date of death.

- (3) A taxpayer shall be entitled to claim an exemption for an individual who qualified as a dependent during the year even though on the last day of the year the status was not such as to meet the dependency requirements, provided that the support furnished constituted over half of his or her support for the year.

A child born alive at any time during the year may be claimed as a dependent even though such child lived only a short time. A still-born child cannot be claimed as a dependent.

*History Note: Statutory Authority G.S. 105-149(c); 105-262; Eff. February 1, 1976; Amended Eff. February 1, 1989; November 1, 1988; May 1, 1984; March 11, 1978.*

#### SECTION .1700 - EXEMPT INCOME

##### .1706 GOVERNMENT OBLIGATIONS

(a) Interest on bonds, notes, or other obligations of the United States or its possessions is exempt under G.S. 105-141(b)(4) and 31 USCA Sec. 702; therefore, interest on bonds, notes, or other obligations of possessions such as Puerto Rico and the Virgin Islands, is exempt. Interest on obligations of a federal land bank, a federal home loan bank, a federal intermediate credit bank, Government National Mortgage Association, (except, interest on Guaranteed Mortgage Certificates and Mortgage Participation Certificates guaranteed by Government National Mortgage Association is not exempt), Farm Home Administration, Export-Import Bank of the U.S., Tennessee Valley Authority, and Banks for Cooperatives is considered to be interest from U.S. obligations and is exempt. Interest on bonds, notes, and other obligations of the State of North Carolina or any of its political subdivisions is exempt.

(b) Interest earned on obligations that are merely backed or guaranteed by the United States Government or the State of North Carolina and its political subdivisions is taxable. Distributions received from regulated investment companies (including mutual funds) and other investment funds are not taxable to the extent the distributions are interest on direct obligations of the United States Government or the State of North Carolina (including its political subdivisions) provided the fund furnished a statement of the amount of such interest.

(c) Even though interest on these obligations is exempt, any gain realized on the sale or redemption of them is taxable except in cases where the exemption of gain is specified by a particular law which authorized their issuance. Interest on bonds, notes, or other obligations of states other than North Carolina, or political subdivisions of such states, or of countries other than the United States and its possessions is taxable income to a North Carolina resident.

(d) The interest paid to customers in connection with repurchase agreements issued by banks and savings and loan associations does not qualify as interest on "obligations of the United States"; therefore, such interest is not exempt from the North Carolina individual income tax. Although these "repurchase agreements" speak in terms of the purchase by an investor of an equitable, undivided fractional interest in the federal securities with an agreement to repurchase that interest for a specified price plus a stated rate of interest, the substance of the transaction is that the investors do not actually have an ownership interest in the government securities and the bank or savings and loan has simply borrowed money from a lender for a specified term at a stated interest rate, secured by government securities as collateral. The interest to be paid under the repurchase agreement is an obligation of the banks and not of the U.S. Government.

*History Note: Statutory Authority G.S. 105-141(b)(4); 105-141(a); 105-262; Eff. February 1, 1976; Amended Eff. February 1, 1989; August 1, 1986; June 1, 1982; February 18, 1978.*

## SECTION .2200 - TRAVEL EXPENSES

### .2201 GENERAL

Travel, entertainment, and other business expenses are allowable deductions to the extent not reimbursed and to the extent that they meet the requirements of G.S. 105-147(1) and (2).

*History Note: Statutory Authority G.S. 105-147(1); 105-147(2); 105-262; Eff. February 1, 1976; Amended Eff. February 1, 1989.*

## SECTION .3700 - ESTATES AND TRUSTS

### .3704 INCOME TAXABLE TO FIDUCIARIES

A fiduciary, as defined in G.S. 105-135(4), is responsible for determining the reportable income of an estate or trust for which he acts and for the payment of tax imposed upon the estate or trust.

If the income of an estate or trust is for the benefit of one or more residents of this state, the fiduciary is responsible for the payment of tax on the undistributed net income of the estate or trust.

If the net income of an estate or trust is for the benefit of one or more nonresident individuals, the fiduciary is responsible for the payment of tax on that portion of the undistributed net income of the estate or trust which is derived from an established business or from an investment in tangible property located in this state.

The determination of the amount of undistributed income from intangible property which is for the benefit of a resident is based on the income beneficiary's state of residence on the last day of the taxable year of the trust. The residence of the trustee or remainderman has no effect upon the determination of the North Carolina income tax liability of the trust. In the case of both resident and nonresident income beneficiaries, the determination of the amount of undistributed income from intangible property which is for the benefit of a resident is made on the basis that the resident beneficiaries' income interests for the taxable year relate to the income interests of both resident and nonresident income beneficiaries for the taxable year.

*History Note: Statutory Authority G.S. 105-161(b); 105-262; Eff. February 1, 1976; Amended Eff. February 1, 1989.*

**TITLE/MAJOR DIVISIONS OF THE NORTH CAROLINA ADMINISTRATIVE CODE**

TITLE	DEPARTMENT
1	Administration, Department of
2	Agriculture, Department of
3	Auditor, Department of State
4	Commerce, Department of
5	Corrections, Department of
6	Council of State
7	Cultural Resources, Department of
8	Elections, State Board of
9	Governor, Office of the
10	Human Resources, Department of
11	Insurance, Department of
12	Justice, Department of
13	Labor, Department of
14A	Crime Control and Public Safety, Department of
15	Natural Resources and Community Development, Department of
16	Education, Department of
17	Revenue, Department of
18	Secretary of State, Department of
19A	Transportation, Department of
20	Treasurer, Department of State
*21	Occupational Licensing Boards
22	Administrative Procedures
23	Community Colleges, Department of
24	Independent Agencies
25	State Personnel, Office of
26	Administrative Hearings, Office of

NOTE: Title 21 contains the chapters of the various occupational licensing boards.

CHAPTER	LICENSING BOARDS
2	Architecture, Board of
4	Auctioneers, Commission for
6	Barber Examiners, Board of
8	Certified Public Accountant Examiners, Board of
10	Chiropractic Examiners, Board of
12	Contractors, Licensing Board for
14	Cosmetic Art Examiners, Board of
16	Dental Examiners, Board of
18	Electrical Contractors, Board of Examiners of
20	Foresters, Board of Registration for
21	Geologists, Board of
22	Hearing Aid Dealers and Fitters Board
26	Landscape Architects, Licensing Board of
28	Landscape Contractors, Registration Board of
31	Marital & Family Therapy Certification Board
32	Medical Examiners, Board of
33	Midwifery Joint Committee
34	Mortuary Science, Board of
36	Nursing, Board of
37	Nursing Home Administrators, Board of
38	Occupational Therapists, Board of
40	Opticians, Board of
42	Optometry, Board of Examiners in



44	Osteopathic Examination and Registration, Board of
46	Pharmacy, Board of
48	Physical Therapy, Examining Committee of
50	Plumbing and Heating Contractors, Board of
52	Podiatry Examiners, Board of
53	Practicing Counselors, Board of
54	Practicing Psychologists, Board of
56	Professional Engineers and Land Surveyors, Board of
58	Real Estate Commission
60	Refrigeration Examiners, Board of
62	Sanitarian Examiners, Board of
63	Social Work, Certification Board for
64	Speech and Language Pathologists and Audiologists, Board of Examiners of
66	Veterinary Medical Board

---

## CUMULATIVE INDEX

### CUMULATIVE INDEX

(April 1988 - March 1989)

1988 - 1989

Pages	Issue
1 - 25.....	1 - April
26 - 108.....	2 - April
109 - 118.....	3 - May
119 - 145.....	4 - May
146 - 184.....	5 - June
185 - 266.....	6 - June
267 - 294.....	7 - July
295 - 347.....	8 - July
348 - 400.....	9 - August
401 - 507.....	10 - August
508 - 523.....	11 - September
524 - 593.....	12 - September
594 - 606.....	13 - October
607 - 686.....	14 - October
687 - 728.....	15 - November
729 - 799.....	16 - November
800 - 833.....	17 - December
834 - 853.....	18 - December
854 - 872.....	19 - January
873 - 988.....	20 - January
989 - 1009.....	21 - February

- AO - Administrative Order
- AG - Attorney General's Opinions
- C - Correction
- E - Errata
- EO - Executive Order
- FDL - Final Decision Letters
- FR - Final Rule
- GS - General Statute
- JO - Judicial Orders or Decision
- LRA - List of Rules Affected
- M - Miscellaneous
- NP - Notice of Petitions
- PR - Proposed Rule
- SO - Statements of Organization
- TR - Temporary Rule

### ADMINISTRATION

Administrative Analysis Division, 447 PR  
Auxiliary Services, 270 PR  
Departmental Rules, 270 PR  
Human Relations Council, 609 PR  
State Construction, 187 PR, 834 PR

Youth Advocacy and Involvement Office, 148 PR

**ADMINISTRATIVE HEARINGS**

General, 579 PR  
Hearings Division, 76 PR, 581 PR  
Rules Division, 580 PR  
706 Deferral, 843 PR

**ADMINISTRATIVE ORDER**

Administrative Order, 369 AO, 873 AO

**AGRICULTURE**

Markets, 992 PR  
Food and Drug Protection Division, 271 PR  
N.C. Gasoline and Oil Inspection Board, 689 PR  
N.C. Pesticide Board, 524 PR  
N.C. State Fair, 451 PR  
Plant Industry, 453 PR, 992 PR  
Standards Division, 452 PR  
Structural Pest Control Committee, 296 PR  
Veterinary Division, 993 PR

**COMMERCE**

Alcoholic Beverage Control Commission, 276 PR  
Departmental Rules, 612 PR  
Milk Commission, 120 PR, 190 PR  
N.C. State Ports Authority, 731 PR  
Seafood Industrial Park Authority, 613 PR

**COMMUNITY COLLEGES**

Community Colleges, 287 PR, 557 PR

**CORRECTION**

Division of Prisons, 490 PR

**CRIME CONTROL AND PUBLIC SAFETY**

Alcohol Law Enforcement, 47 PR

**CULTURAL RESOURCES**

Division of Archives and History, 691 PR

**EDUCATION**

Elementary and Secondary Education, 862 PR

**ELECTIONS**

State Board of Elections, 120 PR

**EXECUTIVE ORDERS**

Executive Orders    68 - 71, 1    EO  
                                      72, 119    EO  
                                      73, 146    EO  
                                      74 - 75, 508    EO  
                                      76 - 77, 594    EO  
                                      78, 800    EO  
                                      79 - 81, 989    EO

**FINAL DECISION LETTERS**

Voting Rights Act, 5 FDL, 26 FDL, 185 FDL, 267 FDL, 295 FDL, 370 FDL,  
401 FDL, 511 FDL, 597 FDL, 608 FDL, 688 FDL, 729 FDL, 801 FDL, 854 FDL,

§77 FDL, 991 FDL

#### GENERAL STATUTES

Chapter 7A, 348 GS  
Chapter 143B, 350 GS  
Chapter 150B, 352 GS

#### HUMAN RESOURCES

Division of Aging, 229 PR  
Drug Commission, 113 FR  
Facility Services, 455 PR, 524 PR, 614 PR, 739 PR  
Health Services, 7 PR, 220 PR, 296 PR, 616 PR, 879 PR  
Medical Assistance, 7 PR, 30 PR, 109 PR, 121 PR, 237 PR, 303 PR, 461 PR  
Mental Health: General, 457 PR, 530 PR, 770 PR  
Mental Health: Hospitals, 459 PR  
Mental Health: Mental Retardation and Substance Abuse Services, 629 PR, 890 PR  
Mental Health: Other Programs, 530 PR.  
Office of the Secretary, 31 PR  
Services for the Blind, 948 PR  
Social Services Commission, 27 PR, 531 PR, 949 PR  
Vocational Rehabilitation Services, 371 PR

#### INDEPENDENT AGENCIES

Agricultural Finance Authority, 841 PR  
Housing Finance, 21 PR, 134 PR, 255 PR, 518 PR, 839 PR, 1000 PR

#### INSURANCE

Agent Services Division, 238 PR, 636 PR  
Company Operations Division, 470 PR  
Consumer Services, 691 PR  
Engineering and Building Codes, 772 PR  
Fire and Casualty Division, 32 PR, 461 PR, 773 PR, 993 PR  
Fire and Rescue Services Division, 122 PR, 149 PR  
Life: Accident and Health Division, 534 PR  
Special Services Division, 856 PR  
Support Services Division, 856 PR

#### JUSTICE

Criminal Justice Education and Training Standards, 304 PR  
Private Protective Services, 303 PR, 834 PR

#### LABOR

Boiler and Pressure Vessel, 598 PR  
Elevator and Amusement Device Division, 599 PR  
Notice, 607 C  
Office of Occupational Safety and Health, 598 PR

#### LICENSING BOARDS

Cosmetic Art Examiners, 283 PR, 473 PR  
CPA Examiners, 73 PR, 472 PR, 837 PR  
Dental Examiners, 704 PR, 820 PR  
Examiners of Electrical Contractors, 151 PR  
Hearing Aid Dealers, 77 FR  
Medical Examiners, 838 PR  
Nursing, Board of 376 PR, 477 PR, 704 PR, 965 PR  
Podiatry Examiners, 377 PR

#### LIST OF RULES AFFECTED



April 1, 1988, 102 LRA  
May 1, 1988, 137 LRA  
June 1, 1988, 260 LRA  
July 1, 1988, 335 LRA  
August 1, 1988, 496 LRA  
September 1, 1988, 585 LRA  
October 1, 1988, 675 LRA  
November 1, 1988, 790 LRA  
December 1, 1988, 845 LRA  
January 1, 1989, 976 LRA

**NATURAL RESOURCES AND COMMUNITY DEVELOPMENT**

Coastal Management, 11 PR, 67 PR, 254 PR, 281 PR, 703 PR  
Community Assistance, 69 PR, 555 PR, 836 PR  
Departmental Rules, 954 PR  
Division of Economic Opportunity, 556 PR, 778 PR  
Environmental Management, 241 PR, 278 PR, 599 PR, 656 PR, 698 PR, 777 PR  
960 PR  
Forest Resources, 68 PR  
Marine Fisheries, 62 PR  
Soil and Water Conservation, 111 PR  
Wildlife Resources and Water Safety, 111 PR, 282 PR, 470 PR, 513 PR, 555 PR,  
599 PR, 656 PR, 777 PR, 805 PR, 835 PR, 860 PR, 961 PR, 998 PR

**NOTICE OF PETITION**

Municipal Incorporation, 804 NP

**REVENUE**

Departmental Rules, 864 FR  
Individual Income Tax, 710 FR, 825 FR, 864 FR, 1002 FR  
License and Excise Tax, 113 FR  
Motor Fuels Tax, 258 FR  
Sales and Use Taxes, 386 FR, 584 FR, 826 FR

**SECRETARY OF STATE**

Securities Division, 125 PR, 656 PR

**STATE PERSONNEL**

State Personnel Commission, 135 PR, 333 PR, 559 PR, 781 PR, 971 PR

**STATE TREASURER**

Escheats and Abandoned Property, 328 PR  
Local Government Commission, 18 PR  
Retirement Systems, 513 PR ✓

**STATEMENTS OF ORGANIZATION**

Statements of Organization, 403 SO

**TRANSPORTATION**

Division of Highways, 719 FR  
Division of Motor Vehicles, 172 FR, 258 FR, 720 FR



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