GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

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HOUSE BILL 193*

Committee Substitute Favorable 3/14/01

Short Title: Retirement Home Tax Change. (Public)

Sponsors:

Referred to:

February 21, 2001

A BILL TO BE ENTITLED

AN ACT TO PROVIDE A PROPERTY TAX EXCLUSION FOR CERTAIN QUALIFIED RETIREMENT FACILITIES THAT PROVIDE CHARITY CARE AND/OR COMMUNITY BENEFITS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-278.6A reads as rewritten:

"**§ 105-278.6A. (See editor's note for repeal date) Qualified retirement facility.**

(a) Classification. – ~~Real and~~ Buildings, the land they actually occupy, additional adjacent land reasonably necessary for the convenient use of the buildings, and personal property owned by a qualified retirement facility and used in the operation of that facility ~~is~~ are designated a special class of property under Section 2(2) of Article V of the North Carolina Constitution and ~~shall not be listed, assessed, or taxed.~~ are excluded from taxation to the extent provided in this section.

(b) ~~Facility Defined. As used in this section, the term "retirement facility"means a community that meets all of the following conditions:~~

~~(1) Its grounds and buildings are at a single site.~~

~~(2) It is designed for elderly residents.~~

~~(3) It includes independent living units for elderly residents.~~

~~(4) It includes a skilled nursing facility or an adult care facility.~~

Definitions. – The following definitions apply in this section:

(1) Charity care. – The unreimbursed costs to the facility of providing health care, housing, or other services to a resident who is uninsured, underinsured, or otherwise unable to pay for all or part of the services rendered.

(2) Community benefits. – The unreimbursed costs to the facility of providing the following:

a. Services, including health, recreation, community research, and education activities provided to the community at large, including the elderly.

b. Charitable donations.

c. Donated volunteer services.

d. Donations and voluntary payments to government agencies.

(3) Financial reporting period. – The calendar year or tax year ending prior to the date the retirement facility applies for an exclusion under this section.

(4) Resident revenue. – Annual revenue paid by a resident for goods and services and one year's share of the initial resident fee amortized in accordance with generally accepted accounting principles.

(5) Retirement facility. – A community that meets all of the following conditions:

a. It is licensed under Article 64 of Chapter 58 of the General Statutes.

b. It is designed for elderly residents.

c. It includes independent living units for elderly residents.

d. It includes a skilled nursing facility or an adult care facility.

(6) Unreimbursed costs. – The costs a facility incurs for providing charity care or community benefits after subtracting payment or reimbursement received from any source for the care or benefits. Unreimbursed costs include costs paid from funds generated by a program described in subdivision (c)(5) of this section.

(c) ~~Qualification.~~ Total Exclusion. – A retirement facility qualifies for ~~the benefits of~~ total exclusion under this section if it meets all of the following conditions:

(1) It is exempt from tax under Article 4 of this Chapter and private shareholders do not benefit from its operations.

(2) All of its revenues, less operating and capital expenses, are applied to providing uncompensated goods and services to the elderly and to the local community, or are applied to an endowment or a reserve for these purposes.

(3) Its charter provides that in the event of dissolution, its assets will revert or be conveyed to an entity that is organized exclusively for charitable, educational, scientific, or religious purposes, and is an exempt organization under section 501(c)(3) of the Code.

~~(4)~~ ~~Its charter or bylaws provide that it is governed by a board of directors or trustees at least a majority of whose members are selected by one or more nonprofit corporations or associations that meet all of the following conditions:~~

~~a.~~ ~~It is exempt under section 501(c)(3), (8), or (10) of the Code.~~

~~b.~~ ~~It is organized for a charitable purpose as defined in G.S. 105-278.6.~~

~~c.~~ ~~It is not a private foundation as defined in section 509 of the Code.~~

(5) It has an active program to generate funds through one or more sources, such as gifts, grants, trusts, bequests, endowment, or an annual giving program, to assist the retirement facility in serving persons who might not be able to reside there without financial assistance or subsidy.

(6) It meets at least one of the following conditions:

a. The facility serves all residents without regard to the residents' ability to pay.

b. At least five percent (5%) of the facility's resident revenue for the financial reporting period is provided in charity care to its residents, in community benefits, or in both.

(d) Partial Exclusion. – A retirement facility qualifies for a partial exclusion under this subsection if it meets conditions under subdivisions (c)(1) through (c)(5) of this section and at least one percent (1%) of the facility's resident revenue for the financial reporting period is provided in charity care to its residents, in community benefits, or in both. The percentage of the retirement facility's assessed value that is excluded from taxation is the applicable percentage provided in the following table, based on the minimum percentage of the facility's resident revenue that it provides in charity care to its residents, in community benefits, or in both:

Partial Exclusion	Minimum Percentage of Resident Revenue
80%	4%
60%	3%
40%	2%
20%	1%

(e) Application for Exclusion. – The application requirements of G.S. 105-282.1 apply to this section."

SECTION 2. Subsection (e) of Section 29A.18 of S.L. 1998-212, as amended by S.L. 2000-20, reads as rewritten:

"(e) Subsection (a) of this section is effective for taxes imposed for taxable years beginning on or after July 1, 1998. Notwithstanding the provisions of G.S. 105-282.1(a), an application for the benefit provided in subsection (a) of this section for the 1998-99 tax year is timely if it is filed on or before November 15, 1998. ~~G.S. 105-278.6A is repealed effective for taxes imposed for taxable years beginning on or after July 1, 2001.~~ The remainder of this section is effective when it becomes law."

SECTION 3. This act is effective for taxes imposed for taxable years beginning on or after July 1, 2001. Notwithstanding the provisions of G.S. 105–282.1(a), an application for the benefit provided in this act for the 2001–2002 tax year is timely if it is filed on or before September 1, 2001.