

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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HOUSE BILL 261

Short Title: Displaced Residential Land Tax Deferral. (Public)

Sponsors: Representatives Millis, Howard, and Warren (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: State and Local Government II, if favorable, Finance

March 8, 2017

A BILL TO BE ENTITLED

AN ACT TO CREATE A PROPERTY TAX DEFERRAL PROGRAM FOR PERMANENT RESIDENCES THAT ARE SUBSEQUENTLY REZONED FOR NONRESIDENTIAL USES.

The General Assembly of North Carolina enacts:

SECTION 1. Article 12 of Subchapter II of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-277.15B. Taxation of displaced residential land.

(a) Classification. – Displaced residential land is designated a special class of property under Section 2(2) of Article V of the North Carolina Constitution and must be appraised, assessed, and taxed in accordance with this section. For purposes of this section, "displaced residential land" means a person's legal residence, including the dwelling, the dwelling site, and related improvements. The dwelling may be a single-family residence, a unit in a multifamily residential complex, or a manufactured home.

(b) Requirements. – Property qualifies as displaced residential land if it meets the following requirements:

- (1) The dwelling site was not zoned for a particular use or was zoned for residential use.
- (2) Prior to the time the dwelling site was zoned or during the time the dwelling site was zoned for residential use, a permanent residence was constructed on the dwelling site.
- (3) The dwelling site was zoned after construction of the permanent residence for a use other than residential use.
- (4) The owner of the dwelling site was the owner at the time of the zoning for a use other than residential use.

(c) Deferred Taxes. – An owner may defer a portion of tax imposed on displaced residential land that represents the sum of the difference between the true value of the displaced residential land as it is currently zoned and the value of the displaced residential land as if it were zoned for residential use.

The difference between the taxes due under this section and the taxes that would have been payable in the absence of this section is a lien on the displaced residential land as provided in G.S. 105-355(a). The difference in taxes for the three fiscal years preceding the current tax year shall be carried forward in the records of each taxing unit as deferred taxes. The deferred taxes are due and payable in accordance with G.S. 105-277.1F when the displaced residential land loses its eligibility for deferral because of the occurrence of a disqualifying event. A disqualifying event



1 occurs when the owner ceases to use the displaced residential land as a permanent residence,
 2 unless the cessation is due to any of the following:

- 3 (1) Temporary absences, as defined in G.S. 105-177.1(a1).
 4 (2) Death of the owner, if the subsequent owner is the spouse or child of the owner
 5 and uses the residence as a permanent residence. If the subsequent owner ceases
 6 to use the residence as a permanent residence, the displaced residential land
 7 loses its eligibility for deferral.
 8 (3) Divorce of the owner, if the subsequent owner is the spouse of the owner and
 9 uses the residence as a permanent residence. If the subsequent owner ceases to
 10 use the residence as a permanent residence, the displaced residential land loses
 11 its eligibility for deferral.

12 (d) Notice. – On or before September 1 of each year, the collector shall notify each owner
 13 to whom a tax deferral has previously been granted of the accumulated sum of deferred taxes and
 14 interest. An owner who fails to notify the county assessor when land classified under this section
 15 loses its eligibility for classification is subject to a penalty in the amount set in G.S. 105-277.5.

16 (e) Application. – An application for property tax relief provided by this section should be
 17 filed during the regular listing period but may be filed after the regular listing period upon a
 18 showing of good cause by the applicant for failure to make a timely application, as determined and
 19 approved by the board of equalization and review or, if that board is not in session, by the board of
 20 county commissioners. An untimely application approved under this subsection applies only to
 21 property taxes levied by the county or municipality in the calendar year in which the untimely
 22 application is filed. Decisions of the county board may be appealed to the Property Tax
 23 Commission. Persons may apply for this property tax relief by entering the appropriate
 24 information on a form made available by the assessor under G.S. 105-282.1."

25 **SECTION 2.** G.S. 105-277.1F(a) is amended by adding a new subdivision to read:

26 "(4c) G.S. 105-277.1B, displaced residential land."

27 **SECTION 3.** G.S. 105-282.1(a) reads as rewritten:

28 "(a) Application. – Every owner of property claiming exemption or exclusion from property
 29 taxes under the provisions of this Subchapter has the burden of establishing that the property is
 30 entitled to it. If the property for which the exemption or exclusion is claimed is appraised by the
 31 Department of Revenue, the application shall be filed with the Department. Otherwise, the
 32 application shall be filed with the assessor of the county in which the property is situated. An
 33 application must contain a complete and accurate statement of the facts that entitle the property to
 34 the exemption or exclusion and must indicate the municipality, if any, in which the property is
 35 located. Each application filed with the Department of Revenue or an assessor shall be submitted
 36 on a form approved by the Department. Application forms shall be made available by the assessor
 37 and the Department, as appropriate.

38 Except as provided below, an owner claiming an exemption or exclusion from property taxes
 39 must file an application for the exemption or exclusion annually during the listing period.

40 ...

- 41 (2) Single application required. – An owner of one or more of the following
 42 properties eligible for a property tax benefit must file an application for the
 43 benefit to receive it. Once the application has been approved, the owner does
 44 not need to file an application in subsequent years unless new or additional
 45 property is acquired or improvements are added or removed, necessitating a
 46 change in the valuation of the property, or there is a change in the use of the
 47 property or the qualifications or eligibility of the taxpayer necessitating a
 48 review of the benefit.

49 ...

- 50 c. Special classes of property classified for taxation at a reduced valuation
 51 under G.S. 105-277(h), 105-277.1, 105-277.1C, 105-277.10,

1 105-277.13, 105-277.14, 105-277.15, 105-277.15B, 105-277.17, or
2 105-278.

3"

4 **SECTION 4.** This act is effective for taxes imposed for taxable years beginning on or
5 after July 1, 2017.