GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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HOUSE BILL 692

Short Title:	Modify Homestead Circuit Breaker.	(Public)
Sponsors:	Representative Alexander. *For a complete list of sponsors, refer to the North Carolina General Assembly web site.*	
Referred to:	Finance, if favorable, Rules, Calendar, and Operations of the House	

April 11, 2019

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-277.1B reads as rewritten:

"**§ 105-277.1B. Property tax homestead circuit breaker.**

(a) Classification. – A permanent residence owned and occupied by a qualifying owner is designated a special class of property under Article V, Section 2(2) of the North Carolina Constitution and is taxable in accordance with this section.

(b) Definitions. – The definitions provided in G.S. 105-277.1 apply to this section.

(c) Income Eligibility ~~Limit.~~ Standard. – The income eligibility ~~limit provided in G.S. 105-277.1(a2) applies to this section.~~standard is the median family income for the State for the most recent 12 months for which data are available.

(d) Qualifying Owner. – For the purpose of qualifying for the property tax homestead circuit breaker under this section, a qualifying owner is an owner who meets all of the following requirements as of January 1 preceding the taxable year for which the benefit is claimed:

(1) The owner has an income for the preceding calendar year of not more than ~~one hundred fifty~~ two hundred percent ~~(150%)~~ (200%) of the income eligibility limit specified in subsection (c) of this section.

(2) The owner has owned and occupied the property as a permanent residence for a qualifying period of time. The qualifying period of time is as follows:

a. For an owner with an income up to one hundred fifty percent (150%) of the income eligibility standard, the owner has owned the property at least five consecutive years and has occupied the property as a permanent residence for at least five years.

b. For an owner with an income over one hundred fifty percent (150%) of the income eligibility standard, the owner has owned and occupied the property as a permanent residence for at least 10 consecutive years.

(3) The owner is ~~at least 65 years of age or~~ totally and permanently ~~disabled.~~disabled or is a qualifying age. The qualifying age is as follows:

a. For an owner with an income up to one hundred fifty percent (150%) of the income eligibility standard, at least 67 years of age.

b. For an owner with an income over one hundred fifty percent (150%) of the income eligibility standard, at least 70 years of age.

(4) The owner is a North Carolina resident.

(e) Multiple Owners. – A permanent residence owned and occupied by husband and wife is entitled to the full benefit of the property tax homestead circuit breaker notwithstanding that only one of them meets the length of occupancy and ownership requirements and the age or disability requirement of this section. When a permanent residence is owned and occupied by two or more persons other than husband and wife, no property tax homestead circuit breaker is allowed unless all of the owners qualify and elect to defer taxes under this section.

(f) Tax Limitation. – A qualifying owner may ~~defer~~ exclude the portion of the principal amount of tax that is imposed for the current tax year on his or her permanent residence and exceeds the percentage of the qualifying owner's income set out in the table in this subsection. If a permanent residence is subject to tax by more than one taxing unit and the total tax liability exceeds the tax limit imposed by this section, then ~~both~~ the taxes due under this section ~~and the taxes deferred under this section~~ must be apportioned among the taxing units based upon the ratio each taxing unit's tax rate bears to the total tax rate of all units.

Income Over	Income Up To	Percentage
-0-	30% of Income Eligibility ~~Limit~~Standard	~~4.0%~~3.0%
Income Eligibility ~~Limit~~Standard	150% of Income Eligibility ~~Limit~~Standard	~~5.0%~~6.0%
150% of Income Eligibility Standard	200% of Income Eligibility Standard	10.0%

(g) Temporary Absence. – An otherwise qualifying owner does not lose the benefit of this circuit breaker because of a temporary absence from his or her permanent residence for reasons of health, or because of an extended absence while confined to a rest home or nursing home, so long as the residence is unoccupied or occupied by the owner's spouse or other dependent.

~~(h) Deferred Taxes. – The difference between the taxes due under this section and the taxes that would have been payable in the absence of this section are a lien on the real property of the taxpayer as provided in G.S. 105-355(a). The difference in taxes must be carried forward in the records of each taxing unit as deferred taxes. The deferred taxes for the preceding three fiscal years are due and payable in accordance with G.S. 105-277.1F when the property loses its eligibility for deferral as a result of a disqualifying event described in subsection (i) of this section. On or before September 1 of each year, the collector must send to the mailing address of a residence on which taxes have been deferred a notice stating the amount of deferred taxes and interest that would be due and payable upon the occurrence of a disqualifying event.~~

~~(i) Disqualifying Events. – Each of the following constitutes a disqualifying event:~~

~~(1) The owner transfers the residence. Transfer of the residence is not a disqualifying event if (i) the owner transfers the residence to a co-owner of the residence or, as part of a divorce proceeding, to his or her spouse and (ii) that individual occupies or continues to occupy the property as his or her permanent residence.~~

~~(2) The owner dies. Death of the owner is not a disqualifying event if (i) the owner's share passes to a co-owner of the residence or to his or her spouse and (ii) that individual occupies or continues to occupy the property as his or her permanent residence.~~

~~(3) The owner ceases to use the property as a permanent residence.~~

~~(j) Gap in Deferral. – If an owner of a residence on which taxes have been deferred under this section is not eligible for continued deferral for a tax year, the deferred taxes are carried forward and are not due and payable until a disqualifying event occurs. If the owner of the residence qualifies for deferral after one or more years in which he or she did not qualify for deferral and a disqualifying event occurs, the years in which the owner did not qualify are disregarded in determining the preceding three years for which the deferred taxes are due and payable.~~

(k) Repealed by Session Laws 2008-35, s. 1.2, effective July 1, 2008.

~~(*l*) Creditor Limitations. – A mortgagee or trustee that elects to pay any tax deferred by the owner of a residence subject to a mortgage or deed of trust does not acquire a right to foreclose as a result of the election. Except for requirements dictated by federal law or regulation, any provision in a mortgage, deed of trust, or other agreement that prohibits the owner from deferring taxes on property under this section is void.~~

~~(m) Construction. – This section does not affect the attachment of a lien for personal property taxes against a tax-deferred residence.~~

(n) Application. – An application for property tax relief provided by this section should be filed during the regular listing period, but may be filed and must be accepted at any time up to and through June 1 preceding the tax year for which the relief is claimed. Persons may apply for this property tax relief by entering the appropriate information on a form made available by the assessor under G.S. 105-282.1.

<u>(o) Data. – Each year, on or before May 1, the Secretary shall publish the median family income for the State. In measuring the median family income for the State, the Secretary shall use the latest available data published by a State or federal agency generally recognized as having expertise concerning the data.</u>"

SECTION 2. G.S. 105-282.1(a) reads as rewritten:

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

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

…

(2) Single application required. – An owner of one or more of the following properties eligible for a property tax benefit must file an application for the benefit to receive it. Once the application has been approved, the owner does not need to file an application in subsequent years unless new or additional property is acquired or improvements are added or removed, necessitating a change in the valuation of the property, or there is a change in the use of the property or the qualifications or eligibility of the taxpayer necessitating a review of the benefit.<u> The properties are as follows:</u>

…

c. Special classes of property classified for taxation at a reduced valuation under G.S. 105-277(h), 105-277.1, <u>105-277.1B,</u> 105-277.1C, 105-277.10, 105-277.13, 105-277.14, 105-277.15, 105-277.17, or 105-278.

…."

SECTION 3. This act does not affect the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or repealed by this act before the effective date of its amendment or repeal, nor does it affect the right to any refund or credit of a tax that accrued under the amended or repealed statute before the effective date of its amendment or repeal.

SECTION 4. Effective for taxes imposed for taxable years beginning on or after July 1, 2022, the following statutes are repealed:

(1) G.S. 105-277.1F(a)(2).

(2) G.S. 105-365.1(a)(3).
(3) G.S. 153A-148.1(a)(6).
(4) G.S. 160A-208.1(a)(4).

SECTION 5. Except as otherwise provided, this act is effective for taxes imposed for taxable years beginning on or after July 1, 2019.