May 14, 2008

H 2112. HOMESTEAD EXEMPTION/$30K/REIMBURSEMENT. Filed 5/14/08. *TO INCREASE THE INCOME ELIGIBILITY LIMIT FOR THE HOMESTEAD EXCLUSION TO THIRTY THOUSAND DOLLARS AND TO REPEAL CHANGES TO THE DEFINITION OF INCOME FOR PURPOSES OF THE HOMESTEAD EXCLUSION.*

Under current law, the income eligibility limit for the property tax homestead exclusion in GS 105-277.1 is $25,000 adjusted annually based on the Social Security cost of living index. The income eligibility limit for the property tax circuit breaker in GS 105-277.1B is 150% of the limit for the homestead exclusion. The bill makes the following changes effective beginning with the 2008-09 property tax year.

Section 1 sets the income eligibility limit for the homestead exclusion at $30,000 for 2008-09. As a result, the circuit breaker limit is also increased from $37,500 to $45,000. The new amounts will both be indexed each year thereafter as under current law.

Section 2 amends the definition of income in GS 105-277.1 for purposes of these two income eligibility limits, to restore the reference to adjusted gross income as defined by the Internal Revenue Code, which was deleted by SL 2007-497. Restoring the old definition of income allows a taxpayer to reduce his or her income by net business or other losses subtracted from income on a federal income tax return to arrive at an adjusted gross income figure.

Section 3 enacts a new GS 105-277.1C to establish a system for the state to annually distribute General Fund revenues to reimburse local governments for the calculated amount of property taxes lost due to the bill's increase in the income limits. The local governments that will receive reimbursements are counties, cities, and entities for which they collect property taxes.

Intro. by Allred. GS 105