GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

H **D**

HOUSE DRH20068-MC-168 (03/22)

Short Title: CCRC Lease - Property Tax. (Public)

Sponsors: Representative Weiss.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO EXPAND THE TYPE OF CONTINUING CARE RETIREMENT COMMUNITIES THAT QUALIFY FOR A PROPERTY TAX EXEMPTION.

The General Assembly of North Carolina enacts:

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

"**§ 105-278.6A. Qualified retirement facility.**

(a) Classification. – Buildings, the land they actually occupy, additional adjacent land reasonably necessary for the convenient use of the buildings, and personal property ~~owned~~ <u>owned, or leased pursuant to a qualified leasehold interest,</u> by a qualified retirement facility and used in the operation of that facility are designated a special class of property under Section 2(2) of Article V of the North Carolina Constitution and are excluded from taxation to the extent provided in this section.

(b) Definitions. – The following definitions apply in 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.

(3a) Qualified leasehold interest. – A leasehold interest held by a retirement facility that satisfies all of the following conditions:

a. The retirement facility has the right under the leasehold interest to lease the property for at least 50 years, including any options to renew.

b. The lease specifically requires that the payment of all property taxes, insurance, and maintenance relating to the leased property is the sole responsibility of the retirement facility or its resident.

c. The retirement facility has the right to purchase the leased property at fair market value at any time during the lease term.

d. The residents of the retirement facility hold a priority right to continue to reside at the facility and the right is not subject to termination through foreclosure against or bankruptcy by the facility.

e. No party to the lease may benefit under the terms of the lease as a result of this subdivision other than the retirement facility and its residents.

(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) Total Exclusion. – A retirement facility qualifies for 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) Repealed by Session Laws 2001-17, s. 1.

(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. This act is effective for taxes imposed for taxable years beginning on or after July 1, 2008.