GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 1051

Short Title:	Equitable Residential Property Tax Relief.	(Public)
Sponsors:	Senators Goss, Queen, Snow, Boseman, Clodfelter, Nesbitt; and Atwater.	
Referred to:	Finance.	

March 21, 2007

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE INCOME LIMIT FOR THE HOMESTEAD PROPERTY TAX EXCLUSION AND TO TREAT THE ELDERLY WHO LIVE IN THEIR OWN HOME THE SAME AS THOSE WHO LIVE IN A RETIREMENT COMMUNITY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-277.1(a2) reads as rewritten:

"(a2) Income Eligibility Limit. – Until July 1, ~~2003,~~2008, the income eligibility limit is ~~eighteen~~ twenty-five thousand dollars ~~($18,000).~~($25,000). For taxable years beginning on or after July 1, ~~2003,~~2008, the income eligibility limit is the amount for the preceding year, adjusted by the same percentage of this amount as the percentage of any cost-of-living adjustment made to the benefits under Titles II and XVI of the Social Security Act for the preceding calendar year, rounded to the nearest one hundred dollars ($100.00). On or before July 1 of each year, the Department of Revenue must determine the income eligibility amount to be in effect for the taxable year beginning the following July 1 and must notify the assessor of each county of the amount to be in effect for that taxable year."

SECTION 2. G.S. 105-277.1(b)(1a) reads as rewritten:

"(1a) Income. – ~~Adjusted gross income, as defined in section 62 of the Code, plus all other~~ All moneys received from every source other than gifts or inheritances received from a spouse, lineal ancestor, or lineal descendant. For married applicants residing with their spouses, the income of both spouses must be included, whether or not the property is in both names."

SECTION 3. 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 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) Qualifying resident. – An individual whose permanent residence is a retirement facility and who meets the requirements of a qualifying owner under G.S. 105-277.1(a).

~~(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%~~

Exclusion. – A retirement facility qualifies for an exclusion under this section if it provides housing to qualifying residents. The exclusion amount is equal to the percentage of residents who are qualifying residents multiplied by fifty percent (50%) of the appraised value of the qualified retirement facility.

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

SECTION 4. G.S. 105-164.14(b) reads as rewritten:

"(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity included in the following list is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of tangible personal property and services, other than electricity, telecommunications service, and ancillary service, for use in carrying on the work of the nonprofit entity:

(1) Hospitals not operated for profit, including hospitals and medical accommodations operated by an authority created under the Hospital Authorities Law, Article 2 of Chapter 131E of the General Statutes.

(2) Educational institutions not operated for profit.

(3) Churches, orphanages, and other charitable or religious institutions and organizations not operated for profit.

(4) Qualified retirement facilities whose property is excluded from property tax under G.S. 105-278.6A. <u>The refund due shall be equal to the sales and use taxes subject to a refund under this subdivision multiplied by the percentage of residents who are qualifying residents.</u>

Sales and use tax liability indirectly incurred by a nonprofit entity on building materials, supplies, fixtures, and equipment that become a part of or annexed to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax liability incurred on direct purchases by the nonprofit entity.

A hospital that is not allowed a refund under this subsection of sales and use taxes paid on its direct purchases of tangible personal property is allowed a semiannual refund of sales and use taxes paid by it on medicines and drugs purchased for use in carrying out its work.

The refunds allowed under this subsection for certain nonprofit entities and for medicines and drugs purchased by hospitals do not apply to organizations, corporations, and institutions that are owned and controlled by the United States, the State, or a unit of local government, except hospital facilities created under Article 2 of Chapter 131E of the General Statutes and nonprofit hospitals owned and controlled by a unit of local government that elect to receive semiannual refunds under this subsection instead of annual refunds under subsection (c).

A request for a refund must be in writing and must include any information and documentation required by the Secretary. A request for a refund for the first six months of a calendar year is due the following October 15; a request for a refund for the second six months of a calendar year is due the following April 15."

SECTION 5. Sections 1, 2, and 3 of this act are effective for taxes imposed for taxable years beginning on or after July 1, 2008. Section 4 of this act becomes effective July 1, 2008, and applies to sales made on or after that date. The remainder of this act is effective when it becomes law.