

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

S

D

SENATE DRS35291-MC-105 (3/13)

Short Title: Circuit Breaker Property Tax Benefit. (Public)

Sponsors: Senators Snow, Queen, Goss, Boseman, Clodfelter, and Nesbitt.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO CREATE A CIRCUIT BREAKER PROPERTY TAX BENEFIT.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-277.1(b) is amended by adding a new subdivision to read:

"(b) Definitions. – The following definitions apply in this section:

...

(3a) Property tax relief. – The property tax homestead exclusion provided in this section or the property tax homestead circuit breaker provided in G.S. 105-277.1B.

...."

SECTION 2. G.S. 105-277.1 is amended by adding a new subsection to read:

"§ 105-277.1. Property tax homestead exclusion.

...

(e) Election. – An owner who qualifies for both kinds of property tax relief may elect the property tax homestead circuit breaker under G.S. 105-277.1B instead of the property tax homestead exclusion provided in this section. When property is owned by two or more persons, each person must qualify for both kinds of property tax relief and must elect the property tax homestead circuit breaker in order for the property tax homestead circuit breaker to be allowed instead of the property tax homestead exclusion."

SECTION 3. Article 12 of Chapter 105 of the General Statutes is amended by adding a new section to read:

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

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

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

6 (c) Income Eligibility Limit. – The income eligibility limit provided in
 7 G.S. 105-277.1(a2) applies to this section.

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

12 (1) The owner has an income for the preceding calendar year of not more
 13 than the income eligibility limit specified in subsection (c) of this
 14 section.

15 (2) The owner has occupied the property as a permanent residence for at
 16 least five years.

17 (3) The owner is a North Carolina resident.

18 (e) Tax Limitation. – A qualifying owner may defer the portion of tax imposed
 19 on his or her permanent residence if it exceeds a percentage of the qualifying owner's
 20 income as provided in this section.

<u>Income</u>	<u>Percentage</u>
<u>Less than the income eligibility limit</u>	<u>4.0%</u>
<u>100% to 150% of the income eligibility limit</u>	<u>5.0%</u>

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

29 (g) Deferred Taxes. – A residence meeting the conditions for classification under
 30 this section must be taxed in accordance with subsection (e) of this section. The
 31 difference between the taxes due under this section and the taxes that would have been
 32 payable in the absence of this section, together with any interest, penalties, or costs that
 33 may accrue thereon, are a lien on the real property of the taxpayer as provided in
 34 G.S. 105-355(a). The difference in taxes must be carried forward in the records of the
 35 taxing unit or units as deferred taxes. Payment of taxes deferred under this section may
 36 be deferred until the death of the owner or until the residence is transferred, at which
 37 time the full amount of deferred taxes, together with any interest, penalties, or costs that
 38 may have accrued thereon, becomes due. The tax for the fiscal year that opens in a
 39 calendar year in which deferred taxes become due is computed as if the property was
 40 not eligible for property tax relief under this section, and taxes for the preceding three
 41 fiscal years that have been deferred are immediately payable, together with interest as
 42 provided in G.S. 105-360 for unpaid taxes. Interest accrues on the deferred taxes due as
 43 if they had been payable on the dates on which they originally became due. The amount
 44 due under this subsection must be paid within nine months after the date of death or

1 transfer, unless the residence is transferred to the former owner's spouse and the spouse
2 qualifies for tax deferral under this section and occupies the property as his or her
3 permanent residence, in which case the spouse may elect to continue deferring payment
4 of the tax.

5 If the owner of a tax-deferred residence does not qualify under this section for
6 deferral as of January 1 preceding a taxable year, the owner may not defer any
7 additional property taxes that year under this section, but the deferred taxes from earlier
8 years do not become due because of the owner's failure to qualify for the current year.

9 Except as provided in subsection (f) of this section, in any year in which the owner
10 of a tax-deferred residence no longer occupies the residence as his or her permanent
11 residence, the full amount of deferred taxes, together with any interest, penalties, or
12 costs that may have accrued thereon, becomes due and is due and payable at the same
13 time the tax levied on the residence in that year is otherwise due.

14 (h) Annual Notification. – On or before September 1 of each year, the assessor
15 shall notify each residence owner to whom a tax deferral has previously been granted of
16 the accumulated sum of deferred taxes and interest.

17 (i) Prepayment. – All or part of the deferred taxes and accrued interest may be
18 paid to the tax collector at any time. Any partial payment is applied first to accrued
19 interest. A residence owner to whom a tax deferral has previously been granted may
20 revoke the application for deferral at any time by notifying the assessor in writing.

21 (j) Payment by Another. – A mortgagee or trustee that elects to pay any tax
22 deferred by the owner of a residence subject to a mortgage or deed of trust does not
23 acquire a right to foreclose as a result of the election.

24 (k) Anti-Deferral Clauses Void. – Except for requirements dictated by federal
25 law or regulation, any provision in a mortgage, deed of trust, or other agreement that
26 prohibits the owner from deferring taxes on property under this section is void.

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

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

34 (n) Multiple Ownership. – When a permanent residence is owned and occupied
35 by two or more persons other than husband and wife, no property tax homestead circuit
36 breaker is allowed unless all of the owners qualify and elect to defer taxes under this
37 section."

38 **SECTION 4.** G.S. 150-282.1(a)(2) reads as rewritten:

39 "(2) Single application required. – An owner of one or more of the
40 following properties eligible ~~to be exempted or excluded from~~
41 ~~taxation~~for a property tax benefit must file an application for
42 ~~exemption or exclusion~~the benefit to receive it. Once the application
43 has been approved, the owner does not need to file an application in
44 subsequent years unless new or additional property is acquired or

1 improvements are added or removed, necessitating a change in the
2 valuation of the property, or there is a change in the use of the property
3 or the qualifications or eligibility of the taxpayer necessitating a
4 review of the ~~exemption or exclusion~~:benefit.

- 5 a. Property exempted from taxation under G.S. 105-278.3,
6 105-278.4, 105-278.5, 105-278.6, 105-278.7, or 105-278.8.
7 b. Special classes of property excluded from taxation under
8 G.S. 105-275(3), (7), (8), (12), (17), (18), (19), (20), (21), (35),
9 (36), (38), (39), or (41) or under G.S. 131A-21.
10 c. Special classes of property classified for taxation at a reduced
11 valuation under G.S. 105-277(h), 105-277.1, 105-277.10,
12 105-277.13, 105-278.
13 d. Property owned by a nonprofit homeowners' association but
14 where the value of the property is included in the appraisals of
15 property owned by members of the association under
16 G.S. 105-277.8.
17 e. Special classes of property eligible for tax relief under
18 G.S. 105-277.1B."

19 **SECTION 5.** G.S. 105-309(f) reads as rewritten:

20 "(f) ~~The notice set out below must appear~~assessor must print a homestead tax
21 relief notice on each abstract or on an information sheet distributed with the abstract.
22 The abstract or sheet must include the address and telephone number of the assessor
23 below the ~~notice~~:notice required by this section. The notice must be in the form required
24 by the Department of Revenue designed to notify the taxpayer of his or her rights and
25 responsibilities under the homestead property tax exclusion provided in G.S. 105-277.1
26 and the property tax homestead circuit breaker provided in G.S. 105-277.1B.
27

28 ~~"PROPERTY TAX HOMESTEAD EXCLUSION FOR ELDERLY OR~~
29 ~~PERMANENTLY DISABLED PERSONS.~~

30
31 ~~North Carolina excludes from property taxes a portion of the appraised value of a~~
32 ~~permanent residence owned and occupied by North Carolina residents aged 65 or older~~
33 ~~or totally and permanently disabled whose income does not exceed (assessor insert~~
34 ~~amount). The amount of the appraised value of the residence that may be excluded from~~
35 ~~taxation is the greater of twenty thousand dollars (\$20,000) or fifty percent (50%) of the~~
36 ~~appraised value of the residence. Income means the owner's adjusted gross income as~~
37 ~~determined for federal income tax purposes, plus all moneys received other than gifts or~~
38 ~~inheritances received from a spouse, lineal ancestor or lineal descendant.~~

39 ~~If you received this exclusion in (assessor insert previous year), you do not need to~~
40 ~~apply again unless you have changed your permanent residence. If you received the~~
41 ~~exclusion in (assessor insert previous year) and your income in (assessor insert previous~~
42 ~~year) was above (assessor insert amount), you must notify the assessor. If you received~~
43 ~~the exclusion in (assessor insert previous year) because you were totally and~~
44 ~~permanently disabled and you are no longer totally and permanently disabled, you must~~

1 ~~notify the assessor. If the person receiving the exclusion in (assessor insert previous~~
2 ~~year) has died, the person required by law to list the property must notify the assessor.~~
3 ~~Failure to make any of the notices required by this paragraph before June 1 will result in~~
4 ~~penalties and interest.~~

5 ~~If you did not receive the exclusion in (assessor insert previous year) but are now~~
6 ~~eligible, you may obtain a copy of an application from the assessor. It must be filed by~~
7 ~~June 1."~~

8 **SECTION 6.** This act is effective for taxes imposed for taxable years
9 beginning on or after July 1, 2008.