

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

H.B. 1092  
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH30558-Nifa-155

Short Title: Reform NC Property Tax. (Public)

Sponsors: Representative Ager.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO AMEND THE CONSTITUTION OF NORTH CAROLINA TO ALLOW PROPERTY TAX EXEMPTIONS BASED UPON AREA MEDIAN INCOME; TO MODIFY THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER; TO UPDATE AND MODIFY THE NONPROFIT LOW- OR MODERATE-INCOME HOUSING PROPERTY TAX EXEMPTION; AND TO PROVIDE GRANT FUNDING TO THE NORTH CAROLINA ASSOCIATION OF COUNTY COMMISSIONERS TO SUPPORT MORE FREQUENT PROPERTY REAPPRAISALS.

The General Assembly of North Carolina enacts:

AREA MEDIAN INCOME CONSTITUTIONAL AMENDMENT

SECTION 1.(a) Section 2 of Article V of the North Carolina Constitution reads as rewritten:

"Sec. 2. State and local taxation.

...

(3) Exemptions. Property belonging to the State, counties, and municipal corporations shall be exempt from taxation. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable, or religious purposes, and, to a value not exceeding \$300, any personal property. The General Assembly may exempt from taxation not exceeding \$1,000 in value of property held and used as the place of residence of the owner. Every exemption shall be on a State-wide basis and shall be made by general law uniformly applicable in every county, city and town, and other unit of local government. No taxing authority other than the General Assembly may grant exemptions, and the General Assembly shall not delegate the powers accorded to it by this subsection. The General Assembly may use area median income as a criterion for affording property tax relief on a statewide basis by a general law uniformly applicable in every county, city and town, and other unit of local government.

...."

SECTION 1.(b) The amendment set out in subsection (a) of this section shall be submitted to the qualified voters of the State at a statewide general election to be held on November 3, 2026, which election shall be conducted under the laws then governing elections in the State. The question to be used in the voting systems and ballots shall be:

"[ ] FOR [ ] AGAINST

Constitutional amendment to allow the General Assembly to use area median income as a criterion for affording property tax relief on a statewide basis."

SECTION 1.(c) The State Board of Elections shall certify the results of the referendum conducted under subsection (b) of this section. If a majority of votes cast on the



question are in favor of the amendment set out in subsection (a) of this section, the Secretary of State shall enroll the amendment among the permanent records of that office. If a majority of votes cast on the question are against the amendment set out in subsection (a) of this section, the amendment shall have no effect.

**SECTION 1.(d)** If the certification from the State Board of Elections under subsection (c) of this section reflects that a majority of votes cast on the question are in favor of the amendment set out in subsection (a) of this section, the amendment set out in subsection (a) of this section is effective upon certification.

**PROPERTY TAX HOMESTEAD CIRCUIT BREAKER MODIFICATIONS**

**SECTION 2.** 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. – The income eligibility limit ~~provided in G.S. 105-277.1(a2) applies to this section~~ is equal to (i) one hundred percent (100%) of the area median income of the county in which the permanent residence is located for a non-married qualifying owner and (ii) one hundred fifteen percent (115%) of the area median income of the county in which the permanent residence is located for a married qualifying owner.

(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 percent (150%)~~ of the income eligibility limit specified in subsection (c) of this section.
- (2) The owner has owned the property as a permanent residence for at least five consecutive years and has occupied the property as a permanent residence for at least five years.
- (3) The owner is at least 65 years of age or totally and permanently disabled.
- (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 ~~the portion~~ a proportional amount 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.~~

<b>Income Over</b>	<b>Income Up To</b>	<b>Percentage</b>
0-	Income Eligibility Limit	4.0%
Income Eligibility Limit	150% of Income Eligibility Limit	5.0%

that is equal to the proportional amount of the homestead's appraised value that does not exceed the county median appraised value of the owner-occupied residential property.

(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)~~. G.S. 105-355(a); provided, however, liens remaining after (i) a qualifying owner's death or (ii) the devise of the property to a member of the owner's family, as defined in subdivision (i)(1) of this section, shall be deemed satisfied and no deferred taxes shall be due thereon. 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~~ residence or (ii) the owner transfers the residence to a member of the owner's family and the person to whom the residence was transferred satisfies the income eligibility limit provided by this section. For purposes of this subdivision, "family" means the owner's, or the owner's spouse's lineal descendant, lineal ascendant, or sibling, and the spouse of any of these individuals.
- ~~(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.

...."

**NONPROFIT OWNERSHIP REQUIREMENTS FOR PROPERTY TAX EXEMPTION**

**SECTION 3.(a)** G.S. 105-278.6 reads as rewritten:

**"§ 105-278.6. Real and personal property used for charitable ~~purposes~~.purposes by certain entities.**

(a) Real and personal property owned ~~by~~ by an entity listed in this subsection is exempt from taxation if (i) as to real property, it is actually and exclusively occupied and used, and as to personal property, it is entirely and completely used, by the owner for a charitable purpose; and (ii) the owner is not organized or operated for profit. The entities are:

- (1) A Young Men's Christian Association or similar ~~organization~~;organization.
- (2) A home for the aged, sick, or ~~infirm~~;infirm.
- (3) An orphanage or similar ~~home~~;home.
- (4) A Society for the Prevention of Cruelty to ~~Animals~~;Animals.
- (5) A reformatory or correctional ~~institution~~;institution.
- (6) A monastery, convent, or ~~nunnery~~;nunnery.
- (7) A nonprofit, life-saving, first aid, or rescue squad ~~organization~~;organization.

1 (8) A nonprofit organization providing housing for individuals or families with  
 2 low or moderate ~~incomes~~incomes, other than rental housing, which is subject  
 3 to G.S. 105-278.7A.

4 ~~shall be exempted from taxation if: (i) As to real property, it is actually and exclusively occupied~~  
 5 ~~and used, and as to personal property, it is entirely and completely used, by the owner for~~  
 6 ~~charitable purposes; and (ii) the owner is not organized or operated for profit.~~

7 (b) A charitable purpose within the meaning of this section is one that has humane and  
 8 philanthropic objectives; it is an activity that benefits humanity or a significant rather than limited  
 9 segment of the community without expectation of pecuniary profit or reward. The humane  
 10 treatment of animals is also a charitable purpose.

11 (c) The fact that a building or facility is incidentally available to and patronized by the  
 12 general public, so long as there is no material amount of business or patronage with the general  
 13 public, ~~shall~~does not defeat the exemption granted by this section.

14 (d) Notwithstanding the ~~exclusive use~~exclusive use requirements of this section, if part  
 15 of a property that otherwise meets the section's requirements is used for a purpose that would  
 16 require exemption under subsection (a), above, if the entire property were so used, the valuation  
 17 of the part so used ~~shall be exempted~~is exempt from taxation.

18 (e) Real property held by an organization described in subdivision (a)(8) for a charitable  
 19 purpose under this section as a future site for ~~housing~~housing, other than affordable rental  
 20 housing as defined in G.S. 105-278.7A, for individuals or families with low or moderate incomes  
 21 may be classified under this section for no more than ~~10~~five years. The taxes that would  
 22 otherwise be due on real property exempt under this subsection ~~shall be~~are a lien on the property  
 23 as provided in G.S. 105-355(a). The taxes ~~shall be~~are carried forward in the records of the taxing  
 24 unit as deferred taxes. The deferred taxes are due and payable in accordance with  
 25 G.S. 105-277.1F when the property loses its eligibility for deferral as a result of a disqualifying  
 26 event. A disqualifying event occurs when the property ~~was~~is not used for low- or  
 27 moderate-income housing within ~~10~~five years from the first day of the fiscal year the property  
 28 was classified under this subsection. In addition to the provisions in G.S. 105-277.1F, all liens  
 29 arising under this subdivision are extinguished when the property is used for low- or  
 30 moderate-income housing within the time period allowed under this subsection."

31 **SECTION 3.(b)** Article 12 of Chapter 105 of the General Statutes is amended by  
 32 adding the following new section to read:

33 "**§ 105-278.7A. Real and personal property owned, in whole or in part, by a charitable**  
 34 **nonprofit and used for affordable rental housing.**

35 (a) Exemption Generally. – Real and personal property owned by an eligible owner and  
 36 used for a charitable purpose in the operation of affordable rental housing is exempt from taxation  
 37 to the extent provided in this section if the requirements of this section are met.

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

39 (1) Affiliate. – Defined in G.S. 105-130.2.

40 (2) Affordable rental housing. – A rental housing development consisting of land  
 41 and improvements in which more than fifty percent (50%) of the units are  
 42 qualifying units.

43 (3) Charitable purpose. – A charitable purpose within the meaning of this section  
 44 is one that has humane and philanthropic objectives; it is an activity that  
 45 benefits humanity or a significant rather than limited segment of the  
 46 community without expectation of pecuniary profit or reward.

47 (4) Eligible joint venture. – A limited partnership, limited liability company, or  
 48 limited liability partnership in which a general partner or limited liability  
 49 company managing member is an eligible nonprofit corporation.

50 (5) Eligible nonprofit corporation. – A nonprofit described in 501(c)(3) of the  
 51 Code that (i) is exempt from federal income taxation under section 501(a) of

1 the Code, (ii) is incorporated under a certificate of existence or admitted under  
2 a certificate of authority under the North Carolina Nonprofit Corporation Act  
3 as provided in Chapter 55A of the General Statutes, and (iii) has day-to-day  
4 control of the operations of and decisions for the affordable rental housing and  
5 has not delegated any decision-making authority other than to a property  
6 manager serving under the direction of the eligible owner. The term includes  
7 a single-purpose entity wholly owned by an eligible nonprofit corporation.

8 (6) Eligible owner. – An eligible joint venture or an eligible nonprofit corporation.

9 (7) Income limit. – Eighty percent (80%) of area median income, adjusted for  
10 family size, as set and most recently published by the U.S. Department of  
11 Housing and Urban Development.

12 (8) Qualifying unit. – An affordable rental housing unit for which both of the  
13 following conditions are met:

14 a. The rent charged for an occupied unit or the published rent for a vacant  
15 unit is at or below the rent limit.

16 b. It is occupied by, or set aside for, a tenant whose income is at or below  
17 the income limit.

18 (9) Rent limit. – Rent, plus a utility allowance calculated in accordance with the  
19 requirements of the North Carolina Housing Finance Agency, that does not  
20 exceed thirty percent (30%) of the income limit.

21 (c) Requirements for Government-Supported Affordable Rental Housing. – Real and  
22 personal property that provides government-supported affordable rental housing is exempt from  
23 property taxation in any year in which all of the conditions listed in this subsection are met. For  
24 purposes of this subsection, the term "government-supported" means that the property is financed  
25 as described in sub-subdivision a. or b. of subdivision (2) of this subsection. The conditions are:

26 (1) The property is owned and operated by an eligible nonprofit corporation or an  
27 eligible joint venture.

28 (2) Either of the following applies:

29 a. The eligible owner is an eligible joint venture that receives  
30 low-income housing credits pursuant to section 42 of the Code and  
31 that is in compliance with any applicable regulatory requirements as  
32 determined by the North Carolina Housing Finance Agency. Ownership is determined as of the date the certificate of occupancy is  
33 issued.

34 b. The eligible owner finances the acquisition, rehabilitation,  
35 development, or operation of the property, or any combination thereof,  
36 with tax-exempt mortgage revenue bonds, qualified 501(c)(3) bonds,  
37 federal direct loans or grants, State loans or grants, or loans or grants  
38 provided by a local jurisdiction in which the property is located. Such  
39 government support must require the execution of a deed restriction or  
40 enforceable, verifiable agreement with a public agency requiring that  
41 the property be operated as affordable rental housing in accordance  
42 with this section for a period of at least 15 years from the date the  
43 financing or financial assistance was initially provided. Government  
44 support does not include payments made to the owner under the federal  
45 Housing Choice Voucher Program or other local, State, or federal  
46 voucher program.

47 (d) Requirements for Non-Government-Supported Affordable Rental Housing. – Real  
48 and personal property that provides non-government-supported affordable rental housing is  
49 exempt from property taxation in any year in which all of the conditions listed in this subsection  
50 are met. For purposes of this subsection, the term "non-government-supported" means that the  
51

1 property is not financed as described in sub-subdivision a. or b. of subdivision (2) of subsection  
2 (c) of this section. The conditions are:

- 3 (1) The property is one hundred percent (100%) owned and operated by an  
4 eligible nonprofit corporation that has owned and operated affordable rental  
5 housing for at least five years.
- 6 (2) The eligible nonprofit corporation, including any of its subsidiaries or  
7 nonprofit affiliates, does not receive any funding or financial assistance, other  
8 than grants, from a for-profit affiliate.
- 9 (3) The eligible nonprofit corporation does not lease the affordable rental housing  
10 land or improvements to another entity. This subdivision does not apply to the  
11 leasing of affordable rental housing units to tenants.
- 12 (4) The eligible nonprofit corporation has executed a deed restriction in favor of  
13 the county and any municipality in which the property is located requiring that  
14 the property be operated as affordable rental housing in accordance with this  
15 section for a period of at least 15 years from the date of application. The  
16 restriction must require that the owner provide the reporting required under  
17 subsection (g) of this section annually to all grantees for the term of the deed  
18 restriction. The deed restriction must state that any grantee, or its assigns, has  
19 the right to enforce the terms of the restriction.

20 (e) Exemption Amount. – The exemption amount is the percentage of the appraised value  
21 that is equal to the percentage of qualifying units unless the eligible owner meets the requirements  
22 of the safe harbor in Section 3 of Internal Revenue Service Rev. Proc. 96-32, in which case the  
23 exemption amount is one hundred percent (100%) of the appraised value of the property. A  
24 transition period of one taxable year applies to improved and occupied rental housing property  
25 purchased by an eligible owner for which the eligible owner cannot provide the total household  
26 income for each qualifying unit at the time of application but that otherwise meets the  
27 requirements of this section. During the transition period, a "qualifying unit" is an affordable  
28 rental housing unit for which the rent charged is at or below the rent limit for purposes of  
29 determining the exemption amount.

30 (f) Application. – To be eligible for an exemption under this section, an eligible owner  
31 must submit an application in accordance with G.S. 105-282.1. The application form shall  
32 require the applicant to provide the following information:

- 33 (1) Whether the applicant is applying for the exemption under subsection (c) or  
34 subsection (d) of this section, along with documentation supporting that the  
35 applicant is an eligible owner for the subsection under which it is applying;  
36 evidence of government support pursuant to sub-subdivision a. or b. of  
37 subdivision (2) of subsection (c) of this section, if applicable; and a copy of  
38 the applicable deed restriction or regulatory agreement.
- 39 (2) Whether the property is subject to a transition period as described in  
40 subsection (e) of this section.
- 41 (3) Either of the following, as of last day of the month immediately preceding  
42 January 1 of the year of application:
  - 43 a. If the applicant is applying for an exemption amount based on the  
44 percentage of qualifying units, the percentage of qualifying units by  
45 providing the following items:
    - 46 1. The rent amount received by the owner for each qualifying unit  
47 as evidenced by an anonymized rent roll. The applicant must  
48 provide evidence of the published rent if a unit is vacant.
    - 49 2. The total household income for each occupied qualifying unit,  
50 except during the transition period, evidenced in an  
51 anonymized manner.

1                   b.     If the applicant is applying for an exemption amount based on meeting  
2                   the requirements of the safe harbor in Section 3 of Internal Revenue  
3                   Service Rev. Proc. 96-32, evidence demonstrating the affordable  
4                   rental housing meets those requirements.

5                   (4)    Certification that the applicant is in compliance with any applicable deed  
6                   restriction or regulatory agreement and the requirements of this section.

7                   (g)    Compliance. – An eligible owner that has been granted an exemption under this  
8                   section must, on an annual basis by January 31 following the initial exemption, certify that it  
9                   remains in compliance with this section and provide to the taxing unit the items listed in  
10                  subdivision (3) of subsection (f) of this section, as of the previous December 31, including any  
11                  supporting documentation required by the taxing unit. Failure to meet these requirements within  
12                  the time limits subjects the property to discovery under G.S. 105-312. For purposes of satisfying  
13                  this requirement, the household income provided for each qualifying unit must be verified every  
14                  two years following initial verification of the tenant's income.

15                  (h)    Future Site. – Real property held by an eligible owner as a future site for affordable  
16                  rental housing may be classified under this section for no more than five years. The taxes that  
17                  would otherwise be due on real property exempt under this subsection are a lien on the property  
18                  as provided in G.S. 105-355(a). The taxes shall be carried forward in the records of the taxing  
19                  unit as deferred taxes. The deferred taxes are due and payable in accordance with  
20                  G.S. 105-277.1F when the property loses its eligibility for deferral as a result of a disqualifying  
21                  event. A disqualifying event occurs when the property is not used for affordable rental housing  
22                  that is in compliance with this section within five years from the first day of the fiscal year the  
23                  property was classified under this section. In addition to the provisions in G.S. 105-277.1F, all  
24                  liens arising under this subsection are extinguished when the property is used for affordable rental  
25                  housing within the time period allowed under this subsection. For purposes of this subsection,  
26                  the term "future site" means unimproved real property or improved real property that is not  
27                  occupied as of the date of the application for exemption under this section.

28                  (i)    Ineligible Property. – Property that has been designated a special class of property  
29                  under G.S. 105-277.16 and assessed accordingly is not eligible for exemption under this section."

30                  **SECTION 3.(c)** G.S. 105-277.1F(a) reads as rewritten:

31                  "(a)    Scope. – This section applies to the following deferred tax programs:

32                   (1)    G.S. 105-275(12), real property owned by a nonprofit corporation held as a  
33                   protected natural area.

34                   (1a)   G.S. 105-275(29a), historic district property held as future site of historic  
35                   structure.

36                   (2)    G.S. 105-277.1B, the property tax homestead circuit breaker.

37                   (2a)   **(See note for repeal)** G.S. 105-277.1D, the inventory property tax deferral.

38                   (3)    G.S. 105-277.4(c), present-use value property.

39                   (4)    G.S. 105-277.14, working waterfront property.

40                   (4a)   G.S. 105-277.15, wildlife conservation land.

41                   (4b)   G.S. 105-277.15A, site infrastructure land.

42                   (5)    G.S. 105-278(b), historic property.

43                   (6)    G.S. 105-278.6(e), nonprofit property held as future site of low- or  
44                   moderate-income ~~housing~~-housing, other than affordable rental housing as  
45                   defined under G.S. 105-278.7A.

46                   (7)    G.S. 105-278.7A(h), nonprofit property held as future site of affordable rental  
47                   housing."

48                  **SECTION 3.(d)** This section is effective for taxes imposed for taxable years  
49                  beginning on or after July 1, 2026, and, with respect to property held as a future site under  
50                  G.S. 105-278.6(e) or G.S. 105-278.7A(h), as enacted by this act, applies to real property  
51                  classified under those provisions on or after that date. Notwithstanding G.S. 105-282.1(a)(2)a.,

1 an owner of low- or moderate-income rental housing property that is exempt under  
2 G.S. 105-278.6(a)(8) as of the effective date of this act must, by December 31, 2026, reapply for  
3 the exemption, providing the assessor of the taxing unit with any necessary documentation for  
4 compliance consistent with this act. Reapplication under this section is considered an application  
5 under subsection (f) of G.S. 105-278.7A, as enacted by this act. Failure to meet this requirement  
6 within the time limit subjects the property to discovery under G.S. 105-312.

7  
8 **NCACC GRANT FUNDING FOR REAPPRAISAL TECHNOLOGY**

9 **SECTION 4.(a)** There is appropriated from the General Fund to the North Carolina  
10 Association of County Commissioners (Association) the nonrecurring sum of twenty million  
11 dollars (\$20,000,000) for the 2026-2027 fiscal year to be used by the Association to provide  
12 grants to local governments for the purpose of transitioning those governments to shortened  
13 reappraisal cycles and thereby ensure more frequent and accurate property valuations. Grant  
14 funds provided under this section shall be used by local governments for (i) technical assistance  
15 and (ii) one-time capital investments in technological infrastructure that improve local capacity  
16 and efficiency in conducting reappraisals, including the acquisition of specialized software, data  
17 migration, and the implementation of digital systems. In awarding grants under this section, the  
18 Association shall prioritize awarding grants to local governments operating on a reappraisal cycle  
19 of more than four years. For purposes of this section, "local governments" means counties, cities,  
20 or towns conducting reappraisals of property under Subchapter II of Chapter 105 of the General  
21 Statutes as of the effective date of this section.

22 **SECTION 4.(b)** This section becomes effective July 1, 2026.

23  
24 **EFFECTIVE DATE**

25 **SECTION 5.** Section 2 of this act becomes effective for taxable years beginning on  
26 or after July 1, 2027, only if the constitutional amendment proposed by Section 1 of this act is  
27 approved; otherwise, Section 2 of this act shall have no effect. Unless otherwise provided, the  
28 remainder of this act is effective when it becomes law.