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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL DRS45495-NIxf-180

Short Title:	Nonprofit Hospitals Tax Exemption.	(Public)
Sponsors:	Senators Burgin and Mayfield (Primary Sponsors).	
Referred to:		

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE PROPERTY TAX AND SALES TAX EXEMPTIONS AFFORDED TO NONPROFIT HOSPITALS.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-278.8 reads as rewritten:

"**§ 105-278.8. Real and personal property used for charitable hospital purposes.**

(a) Real and personal property held for or owned by a hospital organized and operated as a nonstock, nonprofit, charitable institution (without profit to members or their successors) shall be exempted from taxation in an amount equal to the total actual cost of qualified charity care provided by the hospital and determined in accordance with subsection (d) of this section if that property is actually and exclusively used for charitable hospital purposes.

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

(c) Within the meaning of this section, a charitable hospital purpose is a hospital purpose that has humane and philanthropic objectives; it is a hospital activity that benefits humanity or a significant rather than limited segment of the community without expectation of pecuniary profit or reward. However, the fact that a qualifying hospital charges patients who are able to pay for services rendered does not defeat the exemption granted by this section.

(d) The exemption allowed a hospital under this section is equal to the total actual cost of qualified charity care provided by the hospital on the specific tax parcel or parcels of real property for which the exemption is claimed during its most recently completed fiscal year. For purposes of this subsection, the actual cost of qualified charity care shall be calculated by applying the cost-to-charge ratio from the hospital's most recent Centers for Medicare and Medicaid Services Form 2552 Hospital Cost Report to the gross charges of the healthcare services provided by the hospital on the parcel or parcels qualifying for the exemption provided by this subsection. For purposes of this subsection, qualified charity care means healthcare services provided without expectation of payment to uninsured or underinsured patients who (i) have a family income at or below three hundred percent (300%) of the federal poverty level, (ii) have been screened and approved under a uniform application process, and (iii) have provided documented proof of income or for whom the hospital has performed a third-party credit-based presumptive eligibility screening. Qualified charity care under this subsection shall not include bad debt, contractual allowances, or any portion of a bill for which payment was received from a third-party payer, including payments from government-sponsored healthcare programs.

(e) The difference between the taxes due under this section and the taxes that would have been payable in the absence of this section is due and payable in accordance with Subchapter II of this Chapter.

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

SECTION 2. G.S. 105-282.1(a)(2)a. reads as rewritten:

"a. Property exempted from taxation under G.S. 105-278.2(a), 105-278.3, 105-278.4, 105-278.5, 105-278.6, ~~105-278.7, or 105-278.8.~~or 105-278.7."

SECTION 3. G.S. 105-164.14(b) reads as rewritten:

"(b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity is allowed a semiannual refund of sales and use taxes paid by it under this Article on direct purchases of items for use in carrying on the work of the nonprofit entity. Sales and use tax liability indirectly incurred by a nonprofit entity through reimbursement to an authorized person of the entity for the purchase of tangible personal property and services for use in carrying on the work of the nonprofit entity is considered a direct purchase by the entity. 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. The refund allowed under this subsection does not apply to purchases of electricity, telecommunications service, ancillary service, piped natural gas, video programming, or a prepaid meal plan. 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. The aggregate annual refund amount allowed an entity under this subsection for the State's fiscal year may not exceed thirty-one million seven hundred thousand dollars ($31,700,000).

The refunds allowed under this subsection do not apply to an entity that is owned and controlled by the United States or to an entity that is owned or controlled by the State and is not listed in this subsection. A hospital that is not listed in this subsection is allowed a semiannual refund of sales and use taxes paid by it on over-the-counter drugs purchased for use in carrying out its work. The following nonprofit entities are allowed a refund under this subsection:

(1) Hospitals ~~not operated for profit, including hospitals~~ and medical accommodations operated by an authority or other public hospital described in Article 2 of Chapter 131E of the General Statutes.

(1a) Hospitals organized and operated as a nonstock, nonprofit, charitable institution, provided, however, that the aggregate annual refund allowed a nonprofit hospital under this subdivision shall not exceed the lesser of (i) the amount allowed under this subsection or (ii) the total actual cost of qualified charity care provided by the hospital, as calculated and verified under G.S. 105-278.8(d).

…."

SECTION 4. Sections 1 and 2 of this act are effective for taxes imposed for taxable years beginning on or after July 1, 2027. Section 3 of this act becomes effective July 1, 2027, and applies to purchases of items made on or after that date. The remainder of this act is effective when it becomes law.