GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2007

H 1

HOUSE BILL 2483*

Short Title:	Deferred Property Tax Programs Changes.	(Public)
Sponsors:	Representatives Brubaker, Hill (Primary Sponsors); Carney, Gibson, Luebke, McComas, McGee, Wainwright, and Weiss.	
Referred to:	Finance.	

May 26, 2008

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CIRCUIT BREAKER TAX BENEFIT, TO STANDARDIZE ADMINISTRATION OF ALL DEFERRED PROPERTY TAX PROGRAMS, AND TO CORRECT THE EFFECTIVE DATE OF CHANGES TO THE HOMESTEAD EXCLUSION.

The General Assembly of North Carolina enacts:

PART I: CIRCUIT BREAKER MODIFICATIONS

SECTION 1.1. G.S. 105-273 reads as rewritten:

"**§ 105-273. Definitions.**

~~When used in this Subchapter (unless the context requires a different meaning):~~The following definitions apply in this Subchapter:

(1) ~~"Abstract" means the~~Abstract. – The document on which the property of a taxpayer is listed for ad valorem taxation and on which the appraised and assessed values of the property are recorded.

(2) ~~"Appraisal" means both the~~Appraisal. – The true value of property ~~and~~ or the process by which true value is ascertained.

(3) ~~"Assessment" means both the~~Assessment. – The tax value of property ~~and~~ or the process by which the assessment is determined.

(4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1, 1974.

(4a) ~~"Code" [is] defined~~Code. – Defined in G.S. 105-228.90.

(5) ~~"Collector" or "tax collector" means any~~Collector or tax collector. – A person charged with the duty of collecting taxes for a county or municipality.

(5a) ~~"Contractor" means a~~Construction contractor. – A taxpayer who is regularly engaged in building, installing, repairing, or improving real property.

(6) ~~"Corporation" includes nonprofit corporation and every type of~~ Corporation. – An organization having capital stock represented by ~~shares.~~ or an incorporated, nonprofit organization.

(6a) ~~"Discovered property" includes all~~ Discovered property. – Any of the following:

a. Property that was not listed during a listing period.

b. Property that was listed but the listing included a substantial understatement.

c. Property that has been granted an exemption or exclusion and does not qualify for the exemption or exclusion.

(6b) ~~"To discover property" means to~~Discover property. – ~~determine~~Determine any of the following:

a. Property has not been listed during a listing period.

b. A taxpayer made a substantial understatement of listed property.

c. Property was granted an exemption or exclusion and the property does not qualify for an exemption or exclusion.

(7) ~~"Document" includes book,~~Document. – A book, paper, record, statement, account, map, plat, film, picture, tape, object, instrument, ~~and~~ or any other thing conveying information.

(7a) ~~"Failure to list property" includes all~~Failure to list property. – Any of the following:

a. Failure to list property during a listing period.

b. A substantial understatement of listed property.

c. Failure to notify the assessor that property granted an exemption or exclusion under an application for exemption or exclusion does not qualify for the exemption or exclusion.

(8) ~~"Intangible personal property" means patents,~~Intangible personal property. – Patents, copyrights, secret processes, formulae, good will, trademarks, trade brands, franchises, stocks, bonds, cash, bank deposits, notes, evidences of debt, leasehold interests in exempted real property, bills and accounts receivable, ~~and~~ or other like property.

(8a) ~~"Inventories" means~~Inventories. – Any of the following:

a. ~~(i) goods~~Goods held for sale in the regular course of business by manufacturers, retail and wholesale merchants, and ~~contractors, and (ii)~~construction contractors. As to retail and wholesale merchants and construction contractors, the term includes packaging materials that accompany and become a part of the goods sold.

b. ~~goods~~Goods held by construction contractors to be furnished in the course of building, installing, repairing, or improving real property.

c. As to manufacturers, ~~the term includes raw~~ raw materials, goods in process, ~~and~~ finished goods, ~~as well as~~or other materials or supplies that are consumed in manufacturing or ~~processing,~~processing or that accompany and become a part of the sale of the property being sold. The term does not include fuel used in manufacturing or processing and materials or supplies not used directly in manufacturing or processing.

d. ~~The term also includes a~~A modular home as defined in G.S. 105-164.3(21b) that is used exclusively as a display model and held for eventual sale at the retail merchant's place of business.

e. ~~The term also includes crops,~~Crops, livestock, poultry, feed used in the production of livestock and poultry, ~~and~~ or other agricultural or horticultural products held for sale, whether in process or ready for sale. ~~The term does not include fuel used in manufacturing or processing, nor does it include materials or supplies not used directly in manufacturing or processing. As to retail and wholesale merchants and contractors, the term includes, in addition to articles held for sale, packaging materials that accompany and become a part of the sale of the property being sold.~~

(9) ~~"List" or "listing," when used as a noun, means abstract.~~List or listing. – An abstract, when the term is used as a noun.

(10) Repealed by Session Laws 1987, c. 43, s. 1.

(10a) ~~"Local tax official" includes a~~Local tax official. – A county assessor, an assistant county assessor, a member of a county board of commissioners, a member of a county board of equalization and review, a county tax collector, ~~and~~ or the municipal ~~equivalents~~ equivalent of one of these officials.

(10b) ~~"Manufacturer" means a~~Manufacturer. – A taxpayer who is regularly engaged in the mechanical or chemical conversion or transformation of materials or substances into new products for sale or in the growth, breeding, raising, or other production of new products for sale. The term does not include delicatessens, cafes, cafeterias, restaurants, and other similar retailers that are principally engaged in the retail sale of foods prepared by them for consumption on or off their premises.

(11) ~~"Municipal corporation" and "municipality" mean city,~~Municipal corporation or municipality. – A city, town, incorporated village, sanitary district, rural fire protection district, rural recreation district, mosquito control district, hospital district, metropolitan sewerage district, watershed improvement district, a consolidated city-county as defined by G.S. 160B-2, or ~~other~~ another district or unit of local government by or for which ad valorem taxes are levied. ~~The terms also include a consolidated city-county as defined by G.S. 160B-2(1).~~

(12) ~~"Person" and "he" include any~~Person. – An individual, a trustee, an executor, an administrator, ~~other~~ another fiduciary, a corporation, a

limited liability company, an unincorporated association, a partnership, a sole proprietorship, a company, a firm, or ~~other~~ another legal entity.

(13) ~~"Real property," "real estate," and "land" mean not only the~~Real property, real estate, or land. – Any of the following:

a. The land ~~itself,~~itself.

b. ~~but also buildings,~~Buildings, structures, improvements, ~~and~~ or permanent fixtures on ~~the land,~~land.

c. ~~and all~~All rights and privileges belonging or in any way appertaining to the property.

d. ~~These terms also mean a~~A manufactured home as defined in ~~G.S. 143-143.9(6)~~G.S. 143-143.9(6), unless it is considered tangible personal property for failure to meet all of the following requirements:

1. ~~if it~~It is a residential ~~structure;~~structure.

2. It has the moving hitch, wheels, and axles ~~removed;~~removed.

3. ~~and~~It is placed upon a permanent foundation either on land owned by the owner of the manufactured home or on land in which the owner of the manufactured home has a leasehold interest pursuant to a lease with a primary term of at least 20 years ~~for the real property on which the manufactured home is affixed~~ and ~~where~~ the lease expressly provides for disposition of the manufactured home upon termination of the lease. ~~A manufactured home as defined in G.S. 143-143.9(6) that does not meet all of these conditions is considered tangible personal property.~~

(13a) ~~"Retail Merchant" means a~~Retail merchant. – A taxpayer who is regularly engaged in the sale of tangible personal property, acquired by a means other than manufacture, processing, or producing by the merchant, to users or consumers.

(13b) ~~"Substantial understatement" means the~~Substantial understatement. – The omission of a material portion of the value, quantity, or other measurement of taxable property. The determination of materiality in each case shall be made by the assessor, subject to the taxpayer's right to review of the determination by the county board of equalization and review or board of commissioners and appeal to the Property Tax Commission.

(14) ~~"Tangible personal property" means all~~Tangible personal property. – All personal property that is not intangible and that is not permanently affixed to real property.

(15) ~~"Tax" and "taxes" include the~~Tax or taxes. – The principal amount of any ~~tax, costs, penalties, and interest imposed upon property tax or dog~~

~~license tax.~~property tax or dog license tax and costs, penalties, and interest.

(16) ~~"Taxing unit" means a~~Taxing unit. – A county or municipality authorized to levy ad valorem property taxes.

(17) ~~"Taxpayer" means any~~Taxpayer. – A person whose property is subject to ad valorem property taxation by any county or municipality and any person who, under the terms of this Subchapter, has a duty to list property for taxation. ~~For purposes of collecting delinquent ad valorem taxes assessed on real property under G.S. 105-366 through G.S. 105-375, "taxpayer" means the owner of record on the date the taxes become delinquent and any subsequent owner of record of the real property if conveyed after that date.~~

(18) ~~"Valuation" means appraisal~~Valuation. – Appraisal and assessment.

(19) ~~"Wholesale Merchant" means a~~Wholesale merchant. – A taxpayer who is regularly engaged in the sale of tangible personal property, acquired by a means other than manufacture, processing, or producing by the merchant, to other retail or wholesale merchants for resale or to manufacturers for use as ingredient or component parts of articles being manufactured for sale."

SECTION 1.2. 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.

(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 and 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 as tenants by the entirety is entitled to the full benefit of the property tax homestead circuit breaker notwithstanding that only one of them meets the occupation requirement 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 of tax imposed on his or her permanent residence if it exceeds ~~a~~ the percentage of the qualifying owner's income ~~as provided in this section.~~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.

~~**Income**~~	~~**Percentage**~~
~~Less than the income eligibility limit~~	~~4.0%~~
~~100% to 150% of the income eligibility limit~~	~~5.0%~~

Income Over	**Income Up To**	**Percentage**
-0-	Income Eligibility Limit	4.0%
Income Eligibility Limit	150% of Income Eligibility Limit	5.0%

(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). The difference in taxes for the three fiscal years preceding the current tax year shall be carried forward in the records of the taxing unit or units as deferred taxes. ~~Interest accrues on the deferred taxes due as if they had been payable on the dates on which they originally became due.~~ The deferred taxes are due and payable in accordance with G.S. 105-277.1C when the property loses its eligibility for deferral because of the occurrence of a disqualifying event as provided in subsection (i) of this section. On or before September 1 of each year, the ~~assessor~~ collector shall notify each residence owner to whom a tax deferral has previously been granted of the accumulated sum of deferred taxes and interest.

(i) Disqualifying Events. – ~~Taxes deferred under this section are payable within nine months after a disqualifying event. The tax for the fiscal year that opens in a calendar year in which deferred taxes become due is computed as if the property was not eligible for property tax relief under this section.~~ Each of the following constitutes a disqualifying event:

(1) The owner transfers the residence. Transfer of the residence ~~under this subdivision~~ is not a disqualifying event if (i) the owner transfers the residence ~~as part of a divorce proceeding~~ to a co-owner of the residence or, as part of a divorce proceeding, to ~~either~~ his or her spouse ~~who qualifies for tax deferral under this section or to a co-owner of the residence,~~and (ii) that individual occupies or continues to occupy the

property as his or her permanent ~~residence, and (iii) that individual elects to continue deferring payment of the tax.~~<u>residence.</u>

(2) The owner dies. Death of the owner ~~under this subdivision~~ is not a disqualifying event if (i) the owner's share passes to ~~either~~<u>a co-owner of the residence or to</u> his or her spouse ~~who qualifies for tax deferral under this section or to a co-owner of the residence,~~<u>residence and</u> (ii) that individual occupies or continues to occupy the property as his or her permanent ~~residence, and (iii) that individual elects to continue deferring payment of the tax.~~<u>residence.</u>

(3) The owner ceases to use the property as a permanent residence.

(j) ~~Interruption of Qualification. – If the owner of a tax-deferred residence does not qualify under this section for deferral as of January 1 preceding a taxable year for reasons other than a disqualifying event or if the owner of a tax-deferred residence revokes an application for deferral by notifying the assessor in writing, the owner may not defer any additional property taxes under this section without submitting a new application. Deferred taxes from earlier years do not become due because of an interruption of qualification; however, deferred taxes existing at the time of an interruption of qualification shall be carried forward until the occurrence of a disqualifying event. If the owner qualifies for tax deferral under this section following an interruption of qualification, the taxing unit or units shall disregard the years during which there was an interruption of qualification for purposes of determining the three fiscal years preceding the current tax year under subsection (g) of this section.~~<u>Gap in Deferral. – If an owner of a residence on which taxes have been deferred under this section is not eligible for continued deferral for a tax year, the taxes deferred from the prior tax years are not due and payable but are carried forward until a disqualifying event occurs. If the owner of the residence qualifies for deferral after one or more years in which he or she did not qualify for deferral, the years in which the owner did not qualify are disregarded in determining the three years for which the deferred taxes are carried forward.</u>

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

(l) Creditor Limitations. – A mortgagee or trustee that elects to pay any tax deferred by the owner of a residence subject to a mortgage or deed of trust does not acquire a right to foreclose as a result of the election. Except for requirements dictated by federal law or regulation, any provision in a mortgage, deed of trust, or other agreement that prohibits the owner from deferring taxes on property under this section is void.

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

(n) Application. – 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. Persons 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 1.3. G.S. 105-282.1(a)(2)e. is repealed.

SECTION 1.4. G.S. 153A-148.1(a) is amended by adding a new subdivision to read:

"(a) Disclosure Prohibited. – Notwithstanding Chapter 132 of the General Statutes or any other law regarding access to public records, local tax records that contain information about a taxpayer's income or receipts are not public records. A current or former officer, employee, or agent of a county who in the course of service to or employment by the county has access to information about the amount of a taxpayer's income or receipts may not disclose the information to any other person unless the disclosure is made for one of the following purposes:

…

(6) To include on a property tax receipt the amount of property taxes due and the amount of property taxes deferred on a residence classified under G.S. 105-277.1B, the property tax homestead circuit breaker."

SECTION 1.5. G.S. 160A-208.1(a) is amended by adding a new subdivision to read:

"(a) Disclosure Prohibited. – Notwithstanding Chapter 132 of the General Statutes or any other law regarding access to public records, local tax records that contain information about a taxpayer's income or receipts are not public records. A current or former officer, employee, or agent of a city who in the course of service to or employment by the city has access to information about the amount of a taxpayer's income or receipts may not disclose the information to any other person unless the disclosure is made for one of the following purposes:

…

(4) To include on a property tax receipt the amount of property taxes due and the amount of property taxes deferred on a residence classified under G.S. 105-277.1B, the property tax homestead circuit breaker."

PART II: DEFERRAL PROGRAM MODIFICATIONS

SECTION 2.1. G.S. 105-275(29a) reads as rewritten:

"**§ 105-275. Property classified and excluded from the tax base.**

The following classes of property are hereby designated special classes under authority of Article V, Sec. 2(2), of the North Carolina Constitution and shall not be listed, appraised, assessed, or taxed:

…

(29a) Land that is within an historic district ~~held,~~and is held by a nonprofit corporation organized for historic preservation ~~purposes,~~purposes for use as a future site for an historic structure that is to be moved to the site from another location. Property may be classified under this subdivision for no more than five years. The taxes that would otherwise be due on land classified under this subdivision shall be a lien on the real property of the taxpayer as provided in G.S.

105-355(a). The taxes shall be carried forward in the records of the taxing unit or units as deferred ~~taxes and shall be payable five years from the fiscal year the exclusion is first claimed unless an historic structure is moved onto the site during that time. If an historic structure has not been moved to the site within five years, then deferred taxes for the preceding five fiscal years shall immediately be payable, together with interest as provided in G.S. 105-360 for unpaid taxes that shall accrue on the deferred taxes as if they had been payable on the dates on which they would originally become due. All liens arising under this subdivision are extinguished upon either the payment of any deferred taxes under this subdivision or the location of an historic structure on the site within the five-year period allowed under this subdivision.~~taxes. The deferred taxes are due and payable in accordance with G.S. 105-277.1C when the property loses its eligibility for deferral as a result of a disqualifying event. A disqualifying event occurs when an historic structure is not moved to the property within five years from the first day of the fiscal year the property was classified under this subdivision."

SECTION 2.2. Chapter 105 of the North Carolina General Statutes is amended by adding a new section to read:

"**§ 105-277.1C. Uniform provisions for payment of deferred taxes.**

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

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

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

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

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

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

(6) G.S. 105-278.6(e), nonprofit property held as future site of low- or moderate-income housing.

(b) Payment. – Taxes deferred on property under a deferral program listed in subsection (a) of this section are due and payable on the day the property loses its eligibility for the deferral program as a result of a disqualifying event. If only a part of property for which taxes are deferred loses its eligibility for deferral, the assessor must determine the amount of deferred taxes that apply to that part and that amount is due and payable. Interest accrues on deferred taxes as if they had been payable on the dates on which they would have originally become due.

The tax for the fiscal year that begins in the calendar year in which the deferred taxes are due and payable is computed as if the property had not been classified for that year. A lien for deferred taxes is extinguished when the taxes are paid.

All or part of the deferred taxes that are not due and payable may be paid to the tax collector at any time without affecting the property's eligibility for deferral. A partial payment is applied first to accrued interest."

SECTION 2.3. G.S. 105-277.4(c) reads as rewritten:

"(c) Deferred Taxes. – Land meeting the conditions for classification under G.S. 105-277.3 must be taxed on the basis of the value of the land for its present use. The difference between the taxes due on the present-use basis and the taxes that would have been payable in the absence of this classification, together with any interest, penalties, or costs that may accrue thereon, are a lien on the real property of the taxpayer as provided in G.S. 105-355(a). The difference in taxes must be carried forward in the records of the taxing unit or units as deferred taxes. The deferred taxes for the preceding three fiscal years are due and payable in accordance with G.S. 105-277.1C when the property loses its eligibility for deferral as a result of a disqualifying event. A disqualifying event occurs when the land fails to meet any condition or requirement for classification or when an application is not approved. ~~The taxes become due and payable when the land fails to meet any condition or requirement for classification. Failure to have an application approved is ground for disqualification. The tax for the fiscal year that opens in the calendar year in which deferred taxes become due is computed as if the land had not been classified for that year, and taxes for the preceding three fiscal years that have been deferred are immediately payable, together with interest as provided in G.S. 105-360 for unpaid taxes. Interest accrues on the deferred taxes due as if they had been payable on the dates on which they originally became due. If only a part of the qualifying tract of land fails to meet a condition or requirement for classification, the assessor must determine the amount of deferred taxes applicable to that part and that amount becomes payable with interest as provided above. Upon the payment of any taxes deferred in accordance with this section for the three years immediately preceding a disqualification, all liens arising under this subsection are extinguished. The deferred taxes for any given year may be paid in that year without the qualifying tract of land becoming ineligible for deferred status.~~"

SECTION 2.4. G.S. 105-277.14(c) reads as rewritten:

"(c) Deferred Taxes. – The difference between the taxes that are due on working waterfront property taxed on the basis of its present use and that would be due if the property were taxed on the basis of its true value is a lien on the property. 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. 105-277.1C when the property loses its eligibility for deferral as a result of a disqualifying event. A disqualifying event occurs when the property no longer qualifies as working waterfront property. ~~The deferred taxes become due when the property no longer qualifies as working waterfront property. The tax for the fiscal year that opens in the calendar year in which deferred taxes become due is computed as if the property had not been classified for that year, and taxes for the preceding three fiscal years that have been deferred are immediately payable, together with interest, as provided in G.S. 105-360 for unpaid taxes. Interest accrues on the deferred taxes due as if they had been payable on the dates on which they originally became due. If only a part of the property no longer qualifies as working waterfront property, the assessor must determine the amount of deferred taxes applicable to that part and that amount becomes payable with interest. Upon the payment of any taxes deferred under this~~

~~section for the three years immediately preceding a disqualification, all liens arising under this subsection are extinguished.~~"

SECTION 2.5. G.S. 105-278(b) reads as rewritten:

"(b) The difference between the taxes due on the basis of fifty percent (50%) of the true value of the property and the taxes that would have been payable in the absence of the classification provided for in subsection (a) shall be a lien on the property of the taxpayer as provided in ~~G.S. 105-355(a) and~~<u>G.S. 105-355(a). The taxes</u> shall be carried forward in the records of the taxing unit or units as deferred ~~taxes, but shall not be payable until the property loses its eligibility for the benefit of this classification because of a change in an ordinance designating a historic property or a change in the property, except by fire or other natural disaster, which causes its historical significance to be lost or substantially impaired.~~<u>taxes. The deferred taxes for the preceding three fiscal years are due and payable in accordance with G.S. 105-277.1C when the property loses the benefit of this classification as a result of a disqualifying event. A disqualifying event occurs when there is a change in an ordinance designating a historic property or a change in the property, other than by fire or other natural disaster, that causes the property's historical significance to be lost or substantially impaired.</u> ~~The tax for the fiscal year that opens in the calendar year in which a disqualification occurs shall be computed as if the property had not been classified for that year, and taxes for the preceding three fiscal years that have been deferred as provided herein shall be payable immediately, together with interest thereon as provided in G.S. 105-360 for unpaid taxes, which shall accrue on the deferred taxes as if they had been payable on the dates on which they originally became due. If only a part of the historic property loses its eligibility for the classification, a determination shall be made of the amount of deferred taxes applicable to that part, and the amount shall be payable with interest as provided above.~~"

SECTION 2.6. G.S. 105-278.6(e) reads as rewritten:

"(e) Real property held by an organization described in subdivision (a)(8) ~~is held~~ for a charitable purpose under this section ~~if it is held for no more than five years~~ as a future site for housing for individuals or families with low or moderate ~~incomes.~~<u>incomes may be classified under this section for no more than five years.</u> The taxes that would otherwise be due on real property exempt under this subsection shall be a lien on the property as provided in G.S. 105-355(a). The taxes shall be carried forward in the records of the taxing unit as deferred ~~taxes and shall be payable five years after the tax year the exemption is first claimed unless the organization has constructed low- or moderate-income housing on the site. If this condition has not been met, the deferred taxes for the preceding five fiscal years shall be payable immediately, together with interest as provided in G.S. 105-360 for unpaid taxes that accrues on the deferred taxes as if they had been payable on the dates they would have originally become due. All liens arising under this subsection are extinguished upon one of the following:~~

~~(1) Payment of all deferred taxes under this subsection.~~

~~(2) Construction by the organization of low- or moderate-income housing on the site within five years after the tax year the exemption is first claimed.~~<u>taxes. The deferred taxes are due and payable in accordance</u>

with G.S. 105-277.1C when the property loses its eligibility for deferral as a result of a disqualifying event. A disqualifying event occurs when the organization fails to construct low- or moderate-income housing on the site within five years from the first day of the fiscal year the property was classified under this subsection."

SECTION 2.7. G.S. 105-360(a) reads as rewritten:

"(a) Taxes levied under this Subchapter by a taxing unit are due and payable on September 1 of the fiscal year for which the taxes are levied. Taxes are payable at par or face amount if paid before January 6 following the due date. Taxes paid on or after January 6 following the due date ~~are delinquent and~~ are subject to interest charges. Interest accrues on taxes paid on or after January 6 as follows:

(1) For the period January 6 to February 1, interest accrues at the rate of two percent ~~(2%); and~~(2%).

(2) For the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of three-fourths of one percent (3/4%) a month or fraction thereof."

SECTION 2.8. Article 26 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-365.1. When and against whom collection remedies may be used.**

(a) Date of Delinquency. – A tax collector may collect a tax using the remedies provided in G.S. 105-366 through G.S. 105-375 on or after the date the tax is delinquent. A tax is delinquent on the following date:

(1) For a tax that is not a deferred tax, the date the tax accrues interest.

(2) For a deferred tax, other than a tax described in subdivision (3) of this subsection, the date a disqualifying event occurs.

(3) For a deferred tax under G.S. 105-277.1B that lost its eligibility for deferral due to the death of the owner, the first day of the sixth month following the date of death.

(b) Enforced Collection. – For purposes of using the collection remedies provided in G.S. 105-366 through G.S. 105-375 to collect delinquent taxes, the taxing unit shall proceed against property of the following taxpayer:

(1) To collect delinquent taxes assessed on real property, the owner of record of property on which tax is due as of the date of delinquency and any subsequent owner of record of the property.

(2) To collect delinquent taxes assessed on personal property, the owner of record as of January 1 of the calendar year in which the fiscal year of taxation begins.

(3) To collect delinquent taxes assessed on a registered motor vehicle, the owner of record as of the date on which the current vehicle registration is renewed or the date on which a new registration is applied for."

PART III: TECHNICAL CORRECTION

SECTION 3. G.S. 105-277.1(a2) reads as rewritten:

"(a2) **(Effective for taxes imposed for taxable years beginning on or after July 1, 2008)** Income Eligibility Limit. – ~~Until~~ For the taxable year beginning on July 1, 2008, the income eligibility limit is twenty-five thousand dollars ($25,000). For taxable years beginning on or after July 1, ~~2008,~~2009, 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."

PART IV: EFFECTIVE DATE

SECTION 4. This act is effective for taxes imposed for taxable years beginning on or after July 1, 2008.