

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009

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HOUSE BILL 1586  
Committee Substitute Favorable 7/13/09

Short Title: Community Land Trust Property Taxation. (Public)

Sponsors:

Referred to:

May 6, 2009

1 A BILL TO BE ENTITLED  
2 AN ACT TO CLARIFY THE VALUATION OF COMMUNITY LAND TRUST PROPERTY.  
3 The General Assembly of North Carolina enacts:

4 SECTION 1. Article 12 of Subchapter II of Chapter 105 of the General Statutes is  
5 amended by adding a new section to read:

6 "§ 105-277.17. Taxation of community land trust property.

7 (a) Classification. – Community land trust property is designated a special class of  
8 property under Section 2(2) of Article V of the North Carolina Constitution and must be  
9 appraised, assessed, and taxed in accordance with this section.

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

11 (1) Community land trust developer. – A nonprofit housing development entity  
12 that is an exempt organization under section 501(c)(3) of the Code and that  
13 transfers community land trust property to a qualifying owner.

14 (2) Community land trust property. – Improvements to real property that meet  
15 all of the following conditions:

16 a. A fee or leasehold interest in the improvements is transferred subject  
17 to resale restrictions contained in a long-term ground lease of not less  
18 than 99 years.

19 b. The community land trust developer retains an interest in the  
20 property pursuant to the deed of conveyance or the long-term ground  
21 lease.

22 (3) Ground lease. – A lease between the community land trust developer of a  
23 dwelling site, as landlord, and the owner or lessee of a permanent residence  
24 constructed on the dwelling site, as tenant. The leasehold interest of the  
25 tenant in the dwelling site includes an undivided interest and nonexclusive  
26 easement for ingress and egress to the dwelling site and for the use and  
27 enjoyment of the common areas and community facilities, if any.

28 (4) Income. – Defined in G.S. 105-277.1(b).

29 (5) Initial investment basis. – The most recent sales price, excluding any silent  
30 mortgage amount, of community land trust property.

31 (6) Qualifying owner. – A North Carolina resident who (i) occupies, as owner or  
32 lessee, community land trust property as a permanent residence and (ii) is  
33 part of a household, the annual income of which at the time of transfer and  
34 adjusted for family size is not more than one hundred percent (100%) of the  
35 local area median family income as defined by the most recent figures  
36 published by the U.S. Department of Housing and Urban Development.



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1           (7) Resale restrictions. – Binding restrictions that affect the price at which a  
2           qualifying owner's interest in community land trust property can be  
3           transferred for value to a subsequent qualifying owner or the community  
4           land trust developer.

5           (8) Silent mortgage amount. – The amount of debt incurred by a qualifying  
6           owner that is represented by a deed of trust or leasehold deed of trust on  
7           community land trust property and that earns no interest and requires no  
8           repayment prior to satisfaction of any interest-earning mortgage or a  
9           subsequent transfer of the property, whichever occurs first.

10          (9) Transfer. – Any method of disposing of an interest in real property.

11          (c) Valuation. – The initial appraised value of community land trust property in the year  
12          the property first qualifies for classification under this section is the initial investment basis. In  
13          subsequent general reappraisals, the value of the community land trust property shall not  
14          exceed the sum of the restricted capital gain amount and the initial investment basis. The  
15          restricted capital gain amount is the market value of the community land trust property that  
16          would be established for the current general reappraisal if not for this classification (i) adjusted  
17          to the maximum sales price permitted pursuant to the resale restrictions effective for a  
18          hypothetical sale occurring on the date of reappraisal, if less, and (ii) subtracting the initial  
19          investment basis and any silent mortgage amount."

20           **SECTION 2.** G.S. 105-278.6(e) reads as rewritten:

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

31           **SECTION 3.** G.S. 105-282.1(a)(2)c. reads as rewritten:

32           "c. Special classes of property classified for taxation at a reduced  
33           valuation under G.S. 105-277(h), 105-277.1, 105-277.1C,  
34           105-277.10, 105-277.13, ~~105-278, or 105-277.15.~~ 105-277.15,  
35           105-277.17, or 105-278."

36           **SECTION 4.** This act is effective for taxes imposed for taxable years beginning on  
37           or after July 1, 2010.