

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10364-MCxf-107

Short Title: Modify Homestead Circuit Breaker.

(Public)

Sponsors: Representative Alexander.

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER.  
3 The General Assembly of North Carolina enacts:

4 **SECTION 1.** G.S. 105-277.1B reads as rewritten:

5 "**§ 105-277.1B. Property tax homestead circuit breaker.**

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

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

10 (c) Income Eligibility ~~Limit. Standard.~~ – The income eligibility ~~limit provided in G.S.~~  
11 ~~105-277.1(a2) applies to this section.~~ standard is the median family income for the State for the  
12 most recent 12 months for which data are available.

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

16 (1) The owner has an income for the preceding calendar year of not more than  
17 ~~one hundred fifty two hundred percent (150%) (200%)~~ of the income  
18 eligibility limit specified in subsection (c) of this section.

19 (2) The owner has owned and occupied the property as a permanent residence for  
20 a qualifying period of time. The qualifying period of time is as follows:

21 a. For an owner with an income up to one hundred fifty percent (150%)  
22 of the income eligibility standard, the owner has owned the property  
23 at least five consecutive years and has occupied the property as a  
24 permanent residence for at least five years.

25 b. For an owner with an income over one hundred fifty percent (150%)  
26 of the income eligibility standard, the owner has owned and occupied  
27 the property as a permanent residence for at least 10 consecutive years.

28 (3) The owner is ~~at least 65 years of age or totally and permanently~~  
29 ~~disabled.~~ disabled or is a qualifying age. The qualifying age is as follows:

30 a. For an owner with an income up to one hundred fifty percent (150%)  
31 of the income eligibility standard, at least 67 years of age.

32 b. For an owner with an income over one hundred fifty percent (150%)  
33 of the income eligibility standard, at least 70 years of age.

34 (4) The owner is a North Carolina resident.

35 (e) Multiple Owners. – A permanent residence owned and occupied by husband and wife  
36 is entitled to the full benefit of the property tax homestead circuit breaker notwithstanding that



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1 only one of them meets the length of occupancy and ownership requirements and the age or  
 2 disability requirement of this section. When a permanent residence is owned and occupied by  
 3 two or more persons other than husband and wife, no property tax homestead circuit breaker is  
 4 allowed unless all of the owners qualify and elect to defer taxes under this section.

5 (f) Tax Limitation. – A qualifying owner may ~~defer~~ exclude the portion of the principal  
 6 amount of tax that is imposed for the current tax year on his or her permanent residence and  
 7 exceeds the percentage of the qualifying owner's income set out in the table in this subsection. If  
 8 a permanent residence is subject to tax by more than one taxing unit and the total tax liability  
 9 exceeds the tax limit imposed by this section, then ~~both~~ the taxes due under this section ~~and the~~  
 10 ~~taxes deferred under this section~~ must be apportioned among the taxing units based upon the ratio  
 11 each taxing unit's tax rate bears to the total tax rate of all units.

12 <b>Income Over</b>	<b>Income Up To</b>	<b>Percentage</b>
13 -0-	<u>30% of Income Eligibility LimitStandard</u>	<u>4.0%3.0%</u>
14 <u>Income Eligibility LimitStandard</u>	<u>150% of Income Eligibility LimitStandard</u>	<u>5.0%6.0%</u>
15 <u>150% of Income Eligibility Standard</u>	<u>200% of Income Eligibility Standard</u>	<u>10.0%</u>

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

21 (h) ~~Deferred Taxes.~~—~~The difference between the taxes due under this section and the~~  
 22 ~~taxes that would have been payable in the absence of this section are a lien on the real property~~  
 23 ~~of the taxpayer as provided in G.S. 105-355(a). The difference in taxes must be carried forward~~  
 24 ~~in the records of each taxing unit as deferred taxes. The deferred taxes for the preceding three~~  
 25 ~~fiscal years are due and payable in accordance with G.S. 105-277.1F when the property loses its~~  
 26 ~~eligibility for deferral as a result of a disqualifying event described in subsection (i) of this~~  
 27 ~~section. On or before September 1 of each year, the collector must send to the mailing address of~~  
 28 ~~a residence on which taxes have been deferred a notice stating the amount of deferred taxes and~~  
 29 ~~interest that would be due and payable upon the occurrence of a disqualifying event.~~

- 30 (i) ~~Disqualifying Events.~~—~~Each of the following constitutes a disqualifying event:~~
- 31 (1) ~~The owner transfers the residence. Transfer of the residence is not a~~  
 32 ~~disqualifying event if (i) the owner transfers the residence to a co-owner of~~  
 33 ~~the residence or, as part of a divorce proceeding, to his or her spouse and (ii)~~  
 34 ~~that individual occupies or continues to occupy the property as his or her~~  
 35 ~~permanent residence.~~
  - 36 (2) ~~The owner dies. Death of the owner is not a disqualifying event if (i) the~~  
 37 ~~owner's share passes to a co-owner of the residence or to his or her spouse and~~  
 38 ~~(ii) that individual occupies or continues to occupy the property as his or her~~  
 39 ~~permanent residence.~~
  - 40 (3) ~~The owner ceases to use the property as a permanent residence.~~

41 (j) ~~Gap in Deferral.~~—~~If an owner of a residence on which taxes have been deferred under~~  
 42 ~~this section is not eligible for continued deferral for a tax year, the deferred taxes are carried~~  
 43 ~~forward and are not due and payable until a disqualifying event occurs. If the owner of the~~  
 44 ~~residence qualifies for deferral after one or more years in which he or she did not qualify for~~  
 45 ~~deferral and a disqualifying event occurs, the years in which the owner did not qualify are~~  
 46 ~~disregarded in determining the preceding three years for which the deferred taxes are due and~~  
 47 ~~payable.~~

48 (k) Repealed by Session Laws 2008-35, s. 1.2, effective July 1, 2008.

49 (t) ~~Creditor Limitations.~~—~~A mortgagee or trustee that elects to pay any tax deferred by~~  
 50 ~~the owner of a residence subject to a mortgage or deed of trust does not acquire a right to foreclose~~  
 51 ~~as a result of the election. Except for requirements dictated by federal law or regulation, any~~

1 provision in a mortgage, deed of trust, or other agreement that prohibits the owner from deferring  
2 taxes on property under this section is void.

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

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

10 (o) Data. — Each year, on or before May 1, the Secretary shall publish the median family  
11 income for the State. In measuring the median family income for the State, the Secretary shall  
12 use the latest available data published by a State or federal agency generally recognized as having  
13 expertise concerning the data."

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

15 "(a) Application. — Every owner of property claiming exemption or exclusion from  
16 property taxes under the provisions of this Subchapter has the burden of establishing that the  
17 property is entitled to it. If the property for which the exemption or exclusion is claimed is  
18 appraised by the Department of Revenue, the application shall be filed with the Department.  
19 Otherwise, the application shall be filed with the assessor of the county in which the property is  
20 situated. An application must contain a complete and accurate statement of the facts that entitle  
21 the property to the exemption or exclusion and must indicate the municipality, if any, in which  
22 the property is located. Each application filed with the Department of Revenue or an assessor  
23 shall be submitted on a form approved by the Department. Application forms shall be made  
24 available by the assessor and the Department, as appropriate.

25 Except as provided below, an owner claiming an exemption or exclusion from property taxes  
26 must file an application for the exemption or exclusion annually during the listing period:

27 ...

28 (2) Single application required. — An owner of one or more of the following  
29 properties eligible for a property tax benefit must file an application for the  
30 benefit to receive it. Once the application has been approved, the owner does  
31 not need to file an application in subsequent years unless new or additional  
32 property is acquired or improvements are added or removed, necessitating a  
33 change in the valuation of the property, or there is a change in the use of the  
34 property or the qualifications or eligibility of the taxpayer necessitating a  
35 review of the benefit. The properties are as follows:

36 ...

37 c. Special classes of property classified for taxation at a reduced  
38 valuation under G.S. 105-277(h), 105-277.1, 105-277.1B,  
39 105-277.1C, 105-277.10, 105-277.13, 105-277.14, 105-277.15,  
40 105-277.17, or 105-278.

41 ...."

42 **SECTION 3.** This act does not affect the rights or liabilities of the State, a taxpayer,  
43 or another person arising under a statute amended or repealed by this act before the effective date  
44 of its amendment or repeal, nor does it affect the right to any refund or credit of a tax that accrued  
45 under the amended or repealed statute before the effective date of its amendment or repeal.

46 **SECTION 4.** Effective for taxes imposed for taxable years beginning on or after July  
47 1, 2022, the following statutes are repealed:

- 48 (1) G.S. 105-277.1F(a)(2).  
49 (2) G.S. 105-365.1(a)(3).  
50 (3) G.S. 153A-148.1(a)(6).  
51 (4) G.S. 160A-208.1(a)(4).

1                   **SECTION 5.** Except as otherwise provided, this act is effective for taxes imposed  
2 for taxable years beginning on or after July 1, 2019.