

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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HOUSE BILL 637

Short Title: Expand Property Tax Homestead Circuit Breaker. (Public)

Sponsors: Representatives Alston, von Haefen, Autry, and Rudow (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Rules, Calendar, and Operations of the House

April 18, 2023

1 A BILL TO BE ENTITLED
2 AN ACT TO EXPAND THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER BY
3 REMOVING THE AGE AND DISABILITY REQUIREMENTS FOR QUALIFYING
4 OWNERS UNDER THE CIRCUIT BREAKER AND TO REIMBURSE LOCAL
5 GOVERNMENTS FOR THEIR RESULTING REVENUE LOSS.

6 The General Assembly of North Carolina enacts:

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

8 "**§ 105-277.1B. Property tax homestead circuit breaker.**

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

12 (b) Definitions. – ~~The definitions provided in G.S. 105-277.1 apply to this~~
13 ~~section.~~ following definitions apply in this section:

14 (1) Hold harmless amount. – The tax deferred under subsection (f) of this section.

15 (2) Income. – Defined in G.S. 105-277.1.

16 (3) Owner. – Defined in G.S. 105-277.1.

17 (4) Permanent residence. – Defined in G.S. 105-277.1.

18 (5) Property tax relief. – Defined in G.S. 105-277.1.

19 (6) Total hold harmless amount. – The sum of the following:

20 a. The hold harmless amount for all permanent residences in the county.

21 b. The hold harmless amount for all permanent residences in cities
22 located within the county.

23 (c) Income Eligibility Limit. – The income eligibility limit provided in
24 G.S. 105-277.1(a2) applies to this section.

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

28 (1) The owner has an income for the preceding calendar year of not more than
29 one hundred fifty percent (150%) of the income eligibility limit specified in
30 subsection (c) of this section.

31 (2) The owner has owned the property as a permanent residence for at least five
32 consecutive years and has occupied the property as a permanent residence for
33 at least five years.

34 ~~(3) The owner is at least 65 years of age or totally and permanently disabled.~~

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



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(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 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.

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 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. The deferred taxes paid by the taxpayer, minus penalties and interest owed on the deferred taxes, shall be remitted to the Department of Revenue to be credited to the General Fund. 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.
 - (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.

(j) 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 deferred taxes are carried forward and are not due and payable 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 and a disqualifying event occurs, the years in which the owner did not qualify are disregarded in determining the preceding three years for which the deferred taxes are due and payable.

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

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

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

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

13 (o) Reimbursement. – On or before September 1 of each year, each county tax collector
14 shall notify the Secretary of Revenue, in a manner prescribed by the Secretary, of the county's
15 total hold harmless amount. A county that fails to notify the Secretary of Revenue of its total hold
16 harmless amount by the due date is barred from receiving a reimbursement under this subsection
17 for that taxable year. On or before December 31 of each year, the Secretary of Revenue shall
18 distribute to each county its respective total hold harmless amount.

19 Any funds received by a county that are attributable to a city within the county must be
20 distributed to that respective city. Any funds received by a county or city because the county or
21 city was collecting taxes for another unit of government or special district must be credited to the
22 funds of that other unit or district in accordance with regulations issued by the Local Government
23 Commission.

24 In order to pay for the reimbursement under this section and the cost to the Department of
25 Revenue of administering the reimbursement, the Secretary of Revenue shall draw from
26 collections received under Part 2 of Article 4 of this Chapter an amount equal to the
27 reimbursement and the cost of administration."

28 **SECTION 2.** This act is effective for taxes imposed for taxable years beginning on
29 or after July 1, 2024.