

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 97

Short Title: Use Value for Some Residences.

(Public)

Sponsors: Representative Redwine.

Referred to: Finance.

January 26, 1989

A BILL TO BE ENTITLED

AN ACT TO PROVIDE THAT CERTAIN RESIDENTIAL PROPERTY SHALL BE
TAXED ON THE BASIS OF ITS USE AS A RESIDENCE.

The General Assembly of North Carolina enacts:

Section 1. Article 12 of Chapter 105 of the General Statutes is amended by
adding after G.S. 105-277.01 a new section to read:

"§ 105-277.02. Taxation of private residences at present-use value.

(a) Classification. The following class of property is designated a special class
of property under Article V, Section 2(2) of the North Carolina Constitution and shall
be appraised, assessed, and taxed as provided in this section: real property, or a
manufactured home, that (i) is owned by a North Carolina resident, (ii) has been
occupied by the owner as his permanent residence for the last five years preceding the
year for which the benefit of this section is claimed, and (iii) is not used for any purpose
other than as the permanent residence of the owner and the owner's family.

The property classified under this section may include the dwelling, the dwelling site
not to exceed two acres, and related improvements. The dwelling may be a single-
family residence, a unit in a multi-family residential complex, or a manufactured home.
Residential property does not lose the benefit of this section if the owner is temporarily
absent for health reasons or absent for an extended period while confined to a rest home
or nursing home for reasons of health, as long as the residence is unoccupied or is
occupied by the owner's spouse or other dependent.

(b) Application. Property classified under this section is eligible for taxation on
the basis of its value in its present use if an application is filed with the assessor as
provided in G.S. 105-282.1. In applying the provisions of G.S. 105-282.1 to this

1 section, the phrase 'entitled to exemption' means 'eligible for taxation on the basis of
2 present-use value'.

3 (c) Present Use Value Taxation. Upon receipt of a timely and proper application,
4 the assessor shall appraise the property as if its present use as a permanent residence is
5 its highest and best use and the property shall be taxed on the basis of that appraisal.
6 The difference, if any, between the taxes due on the present-use basis and the taxes that
7 would have been payable in the absence of this classification, together with any interest,
8 penalties, or costs that may accrue on the difference, shall be a lien on the real property
9 of the taxpayer as provided in G.S. 105-355(a). The difference in taxes shall be carried
10 forward in the records of the taxing unit as deferred taxes, but shall not be payable until
11 the property loses its eligibility for the benefit of this classification.

12 (d) Payment of Deferred Taxes. The tax for the fiscal year that opens in the
13 calendar year in which the property loses its eligibility for the benefit of this
14 classification shall be computed as if the property had not been classified for that year,
15 and taxes for the preceding three fiscal years which have been deferred as provided in
16 subsection (c) shall immediately be payable, together with interest as provided in G.S.
17 105-360 for unpaid taxes which shall accrue on the deferred taxes due as if they had
18 been payable on the dates on which they originally became due. Upon the payment of
19 any taxes deferred in accordance with this section for the three years immediately
20 preceding a disqualification, all liens arising under this subsection shall be extinguished.

21 In determining the amount of the deferred taxes, the assessor shall use the appraised
22 valuation established in the county's last general revaluation except for any changes
23 made under the provisions of G.S. 105-287. In revaluation years, as provided in G.S.
24 105-286, all property entitled to classification under this section shall be reappraised at
25 its true value in money and as if its present use as a permanent residence is its highest
26 and best use, as of the effective date of the revaluation. The two valuations shall
27 continue in effect and shall provide the basis for deferred taxes until a change in one or
28 both of the appraisals is required by law.

29 (e) Notice of Change in Use. The owner of property that is taxed at its present-
30 use value under this section shall notify the assessor of any change that could cause the
31 property to lose its eligibility. This notice shall be given no later than the close of the
32 next listing period after the change occurs. A property owner who fails to give notice as
33 provided in this subsection shall be subject to a penalty of ten percent (10%) of the total
34 amount of deferred taxes and interest for each listing period for which the failure to give
35 notice continues."

36 Sec. 2. G.S. 105-282.1(a)(3) reads as rewritten:

37 "(3) After an owner of property entitled to exemption under G.S. 105-277.02,
38 105-277.1, 105-278.3, 105-278.4, 105-278.5, 105-278.6, 105-278.7, or 105-
39 278.8 or exclusion under G.S. 105-275(3), (7) or (12) or G.S. 105-278 has
40 applied for exemption and the exemption has been approved, such owner
41 shall not be required to file applications in subsequent years except in the
42 following circumstances:

43 a. New or additional property is acquired or improvements are added or
44 removed, necessitating a change in the valuation of the property, or

- 1 b. There is a change in the use of the property or the qualifications or
2 eligibility of the taxpayer necessitating a review of the exemption."
3 Sec. 3. This act is effective for taxable years beginning on or after January 1,
4 1989.