

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 540

Short Title: Residential Property Tax Reduction. (Public)

Sponsors: Representatives Grady, Starnes (Primary Sponsors); Blust, Cleveland, Cole, Howard, McComas, McGee, Steen, Stiller, and Walend.

Referred to: Rules, Calendar, and Operations of the House, if favorable, Finance.

March 12, 2007

A BILL TO BE ENTITLED

AN ACT TO PROVIDE PROPERTY TAX RELIEF TO A PERMANENT RESIDENCE.

The General Assembly of North Carolina enacts:

SECTION 1. Section 2 of Article V of the North Carolina Constitution is amended by adding a new subsection to read:

"(8) Notwithstanding subsections (2) and (5) of this section, the General Assembly may enact general laws uniformly applicable throughout the State requiring that during a general reappraisal a county may not increase the growth in the assessed value of a permanent residence by more than an amount specified in the law."

SECTION 2. G.S. 105-283 reads as rewritten:

"§ 105-283. Uniform appraisal standards.

~~All~~ Except as provided in G.S. 105-283.1, all property, real and personal, shall as far as practicable be appraised or valued at its true value in money. When used in this Subchapter, the words "true value" shall be interpreted as meaning market value, that is, the price estimated in terms of money at which the property would change hands between a willing and financially able buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of all the uses to which the property is adapted and for which it is capable of being used. For the purposes of this section, the acquisition of an interest in land by an entity having the power of eminent domain with respect to the interest acquired shall not be considered competent evidence of the true value in money of comparable land."

SECTION 3. Article 12 of Subchapter II of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-283.1. Uniform appraisal standards for permanent residences.

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

(1) Immediate family member. – A spouse, child, parent, sibling, grandparent, or grandchild.

1 (2) Owner. – A person who holds legal or equitable title, whether
2 individually, as a tenant by the entirety, a joint tenant, or a tenant in
3 common, or as the holder of a life estate or an estate for the life of
4 another. A manufactured home jointly owned by husband and wife is
5 considered property held by the entirety.

6 (3) Permanent residence. – A person's legal residence. It includes the
7 dwelling, the dwelling site, not to exceed one acre, and related
8 improvements. The dwelling may be a single family residence, a unit
9 in a multifamily residential complex, or a manufactured home.

10 (b) Appraisal at Reduced Value. – A permanent residence is designated a special
11 class of property under authority of Article V, Sec. 2(2) of the North Carolina
12 Constitution. For taxable years beginning on or after July 1, 2009, the appraised value
13 of a permanent residence may not increase by more than the increase in the Consumer
14 Price Index as reported by the Bureau of Labor Statistics of the United States
15 Department of Labor since the last reappraisal. Property that no longer qualifies as a
16 permanent residence shall be appraised at its true value.

17 (c) Exceptions. – At any time there is an increase in the value of the permanent
18 residence resulting from a physical change in the land or to improvements on the land
19 pursuant to G.S. 105-287(a)(2b) or there is a change in ownership of the residence, the
20 county shall reappraise the residence at its true value. Subsection (b) of this section
21 applies to the reappraised residence during subsequent general reappraisals. The change
22 in ownership exception does not apply to transfers of property between spouses or
23 immediate family members or incident to a divorce if the new owner is the former
24 spouse or immediate family member of the former spouse.

25 (d) Notice. – The closing attorney involved in a real estate transfer of a
26 permanent residence shall provide the following notice to the buyer:

27 REAL PROPERTY TRANSFERRED AS A RESULT OF THIS TRANSACTION
28 MAY BE SUBJECT TO PROPERTY TAXATION DURING THE NEXT TAX YEAR
29 AT A VALUE THAT REFLECTS ITS FAIR MARKET VALUE.

30 (e) Application. – An application for the reduced valuation provided by this
31 section should be filed during the regular listing period, but may be filed and must be
32 accepted at any time up to and through June 1 preceding the tax year for which the
33 reduction is claimed."

34 **SECTION 4.** G.S. 105-282.1(a)(2) reads as rewritten:

35 "(2) Single application required. – An owner of one or more of the
36 following properties eligible to be exempted or excluded from taxation
37 must file an application for exemption or exclusion to receive it. Once
38 the application has been approved, the owner does not need to file an
39 application in subsequent years unless new or additional property is
40 acquired or improvements are added or removed, necessitating a
41 change in the valuation of the property, or there is a change in the use
42 of the property or the qualifications or eligibility of the taxpayer
43 necessitating a review of the exemption or exclusion:

- 1 a. Property exempted from taxation under G.S. 105-278.3,
2 105-278.4, 105-278.5, 105-278.6, 105-278.7, or 105-278.8.
3 b. Special classes of property excluded from taxation under
4 G.S. 105-275(3), (7), (8), (12), (17), (18), (19), (20), (21), (35),
5 (36), (38), (39), or (41) or under G.S. 131A-21.
6 c. Special classes of property classified for taxation at a reduced
7 valuation under G.S. 105-283.1, 105-277(h), 105-277.1,
8 105-277.10, 105-277.13, 105-278.
9 d. Property owned by a nonprofit homeowners' association but
10 where the value of the property is included in the appraisals of
11 property owned by members of the association under
12 G.S. 105-277.8."

13 **SECTION 5.** The amendment set out in Section 1 of this act shall be
14 submitted to the qualified voters of the State at the general election to be held in
15 November 2007. The qualified election shall be conducted under the laws then
16 governing elections in the State. Ballots, voting systems, or both may be used in
17 accordance with Chapter 163 of the General Statutes. The question to be used in the
18 voting systems and ballots shall be:

19 "[]FOR []AGAINST

20 Constitutional amendment authorizing the General Assembly to limit the
21 growth in the assessed value of a permanent residence owned and occupied by a
22 qualifying owner."

23 **SECTION 6.** If the majority of the votes cast on the question are in favor of
24 the amendment set out in Section 1 of this act, the State Board of Elections shall certify
25 that amendment to the Secretary of State. The amendment becomes effective upon this
26 certification. The Secretary of State shall enroll the amendment so certified among the
27 permanent records of that office.

28 **SECTION 7.** Sections 2 through 5 of this act become effective only if the
29 constitutional amendment proposed by Section 1 of this act is approved as provided in
30 Sections 5 and 6 of this act. If the constitutional amendment is approved, Sections 2, 3,
31 and 4 of this act become effective for taxes imposed for taxable years beginning on or
32 after July 1, 2008. The remainder of this act is effective when it becomes law.