

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 1876*

Short Title: Deferred Property Tax Programs Changes. (Public)

Sponsors: Senators Clodfelter, Kerr, Brunstetter, Dalton, Hartsell, Hoyle; and Snow.

Referred to: Finance.

May 22, 2008

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE CIRCUIT BREAKER TAX BENEFIT, TO
STANDARDIZE ADMINISTRATION OF ALL DEFERRED PROPERTY TAX
PROGRAMS, AND TO CORRECT THE EFFECTIVE DATE OF CHANGES TO
THE HOMESTEAD EXCLUSION.

The General Assembly of North Carolina enacts:

PART I: CIRCUIT BREAKER MODIFICATIONS

SECTION 1.1. G.S. 105-273 reads as rewritten:

"§ 105-273. Definitions.

~~When used in this Subchapter (unless the context requires a different meaning):~~ The following definitions apply in this Subchapter:

- (1) ~~"Abstract" means the~~ Abstract. – The document on which the property of a taxpayer is listed for ad valorem taxation and on which the appraised and assessed values of the property are recorded.
- (2) ~~"Appraisal" means both the~~ Appraisal. – ~~The~~ true value of property ~~and~~ or the process by which true value is ascertained.
- (3) ~~"Assessment" means both the~~ Assessment. – ~~The~~ tax value of property ~~and~~ or the process by which the assessment is determined.
- (4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1, 1974.
- (4a) ~~"Code" [is] defined~~ Code. – Defined in G.S. 105-228.90.
- (5) ~~"Collector" or "tax collector" means any~~ Collector or tax collector. – A person charged with the duty of collecting taxes for a county or municipality.
- (5a) ~~"Contractor" means a~~ Construction contractor. – A taxpayer who is regularly engaged in building, installing, repairing, or improving real property.

- 1 (6) ~~"Corporation" includes nonprofit corporation and every type of~~
2 Corporation. – An organization having capital stock represented by
3 shares, or an incorporated, nonprofit organization.
- 4 (6a) ~~"Discovered property" includes all~~Discovered property. – Any of the
5 following:
6 a. Property that was not listed during a listing period.
7 b. Property that was listed but the listing included a substantial
8 understatement.
9 c. Property that has been granted an exemption or exclusion and
10 does not qualify for the exemption or exclusion.
- 11 (6b) ~~"To discover property" means to~~Discover property. –
12 determineDetermine any of the following:
13 a. Property has not been listed during a listing period.
14 b. A taxpayer made a substantial understatement of listed
15 property.
16 c. Property was granted an exemption or exclusion and the
17 property does not qualify for an exemption or exclusion.
- 18 (7) ~~"Document" includes book,~~Document. – A book, paper, record,
19 statement, account, map, plat, film, picture, tape, object, instrument,
20 and or any other thing conveying information.
- 21 (7a) ~~"Failure to list property" includes all~~Failure to list property. – Any of
22 the following:
23 a. Failure to list property during a listing period.
24 b. A substantial understatement of listed property.
25 c. Failure to notify the assessor that property granted an
26 exemption or exclusion under an application for exemption or
27 exclusion does not qualify for the exemption or exclusion.
- 28 (8) ~~"Intangible personal property" means patents,~~Intangible personal
29 property. – Patents, copyrights, secret processes, formulae, good will,
30 trademarks, trade brands, franchises, stocks, bonds, cash, bank
31 deposits, notes, evidences of debt, leasehold interests in exempted real
32 property, bills and accounts receivable, and or other like property.
- 33 (8a) ~~"Inventories" means~~Inventories. – Any of the following:
34 a. ~~(i) goods~~Goods held for sale in the regular course of business
35 by manufacturers, retail and wholesale merchants, and
36 ~~contractors, and (ii) construction contractors. As to retail and~~
37 wholesale merchants and construction contractors, the term
38 includes packaging materials that accompany and become a part
39 of the goods sold.
40 b. ~~goods~~Goods held by construction contractors to be furnished in
41 the course of building, installing, repairing, or improving real
42 property.
43 c. As to manufacturers, ~~the term includes raw~~ raw materials,
44 goods in process, ~~and finished goods, as well as or~~ or other

1 materials or supplies that are consumed in manufacturing or
 2 ~~processing~~, processing or that accompany and become a part of
 3 the sale of the property being sold. The term does not include
 4 fuel used in manufacturing or processing and materials or
 5 supplies not used directly in manufacturing or processing.

6 ~~d. The term also includes a~~ A modular home as defined in
 7 G.S. 105-164.3(21b) that is used exclusively as a display model
 8 and held for eventual sale at the retail merchant's place of
 9 business.

10 ~~e. The term also includes crops,~~ Crops, livestock, poultry, feed
 11 used in the production of livestock and poultry, ~~and or~~ other
 12 agricultural or horticultural products held for sale, whether in
 13 process or ready for sale. ~~The term does not include fuel used in~~
 14 ~~manufacturing or processing, nor does it include materials or~~
 15 ~~supplies not used directly in manufacturing or processing. As to~~
 16 ~~retail and wholesale merchants and contractors, the term~~
 17 ~~includes, in addition to articles held for sale, packaging~~
 18 ~~materials that accompany and become a part of the sale of the~~
 19 ~~property being sold.~~

20 (9) ~~"List" or "listing," when used as a noun, means abstract.~~ List or listing.
 21 ~~– An abstract, when the term is used as a noun.~~

22 (10) Repealed by Session Laws 1987, c. 43, s. 1.

23 (10a) ~~"Local tax official" includes a~~ Local tax official. – A county assessor,
 24 an assistant county assessor, a member of a county board of
 25 commissioners, a member of a county board of equalization and
 26 review, a county tax collector, ~~and or~~ the municipal ~~equivalents~~
 27 equivalent of one of these officials.

28 (10b) ~~"Manufacturer" means a~~ Manufacturer. – A taxpayer who is regularly
 29 engaged in the mechanical or chemical conversion or transformation of
 30 materials or substances into new products for sale or in the growth,
 31 breeding, raising, or other production of new products for sale. The
 32 term does not include delicatessens, cafes, cafeterias, restaurants, and
 33 other similar retailers that are principally engaged in the retail sale of
 34 foods prepared by them for consumption on or off their premises.

35 (11) ~~"Municipal corporation" and "municipality" mean city,~~ Municipal
 36 corporation or municipality. – A city, town, incorporated village,
 37 sanitary district, rural fire protection district, rural recreation district,
 38 mosquito control district, hospital district, metropolitan sewerage
 39 district, watershed improvement district, a consolidated city-county as
 40 defined by G.S. 160B-2, or ~~other another~~ district or unit of local
 41 government by or for which ad valorem taxes are levied. ~~The terms~~
 42 ~~also include a consolidated city-county as defined by G.S. 160B-2(1).~~

43 (12) ~~"Person" and "he" include any~~ Person. – An individual, a trustee, an
 44 executor, an administrator, ~~other another~~ fiduciary, a corporation, a

- 1 limited liability company, an unincorporated association, a partnership,
 2 a sole proprietorship, a company, a firm, or other another legal entity.
- 3 (13) ~~"Real property," "real estate," and "land" mean not only the~~Real
 4 property, real estate, or land. – Any of the following:
- 5 a. The land itself, itself.
- 6 b. ~~but also buildings, Buildings,~~ structures, improvements, ~~and or~~
 7 permanent fixtures on ~~the land, land.~~
- 8 c. ~~and all~~All rights and privileges belonging or in any way
 9 appertaining to the property.
- 10 d. ~~These terms also mean a~~A manufactured home as defined in
 11 G.S. 143-143.9(6)G.S. 143-143.9(6), unless it is considered
 12 tangible personal property for failure to meet all of the
 13 following requirements:
- 14 1. ~~if it~~It is a residential ~~structure; structure.~~
- 15 2. It has the moving hitch, wheels, and axles
 16 ~~removed; removed.~~
- 17 3. ~~and~~It is placed upon a permanent foundation either on
 18 land owned by the owner of the manufactured home or
 19 on land in which the owner of the manufactured home
 20 has a leasehold interest pursuant to a lease with a
 21 primary term of at least 20 years ~~for the real property on~~
 22 ~~which the manufactured home is affixed and where the~~
 23 lease expressly provides for disposition of the
 24 manufactured home upon termination of the lease. A
 25 ~~manufactured home as defined in G.S. 143-143.9(6) that~~
 26 ~~does not meet all of these conditions is considered~~
 27 tangible personal property.
- 28 (13a) ~~"Retail Merchant" means a~~Retail merchant. – A taxpayer who is
 29 regularly engaged in the sale of tangible personal property, acquired by
 30 a means other than manufacture, processing, or producing by the
 31 merchant, to users or consumers.
- 32 (13b) ~~"Substantial understatement" means the~~Substantial understatement. –
 33 The omission of a material portion of the value, quantity, or other
 34 measurement of taxable property. The determination of materiality in
 35 each case shall be made by the assessor, subject to the taxpayer's right
 36 to review of the determination by the county board of equalization and
 37 review or board of commissioners and appeal to the Property Tax
 38 Commission.
- 39 (14) ~~"Tangible personal property" means all~~Tangible personal property. –
 40 All personal property that is not intangible and that is not permanently
 41 affixed to real property.
- 42 (15) ~~"Tax" and "taxes" include the~~Tax or taxes. – The principal amount of
 43 any tax, costs, penalties, and interest imposed upon property tax or dog

1 ~~license tax, property tax or dog license tax and costs, penalties, and~~
2 ~~interest.~~

3 (16) ~~"Taxing unit" means a~~Taxing unit. – A county or municipality
4 authorized to levy ad valorem property taxes.

5 (17) ~~"Taxpayer" means any~~Taxpayer. – A person whose property is subject
6 to ad valorem property taxation by any county or municipality and any
7 person who, under the terms of this Subchapter, has a duty to list
8 property for taxation. ~~For purposes of collecting delinquent ad valorem~~
9 ~~taxes assessed on real property under G.S. 105-366 through~~
10 ~~G.S. 105-375, "taxpayer" means the owner of record on the date the~~
11 ~~taxes become delinquent and any subsequent owner of record of the~~
12 ~~real property if conveyed after that date.~~

13 (18) ~~"Valuation" means appraisal~~Valuation. – Appraisal and assessment.

14 (19) ~~"Wholesale Merchant" means a~~Wholesale merchant. – A taxpayer who
15 is regularly engaged in the sale of tangible personal property, acquired
16 by a means other than manufacture, processing, or producing by the
17 merchant, to other retail or wholesale merchants for resale or to
18 manufacturers for use as ingredient or component parts of articles
19 being manufactured for sale."

20 **SECTION 1.2.** G.S. 105-277.1B reads as rewritten:

21 **"§ 105-277.1B. Property tax homestead circuit breaker.**

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

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

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

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

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

36 (2) The owner has owned and occupied the property as a permanent
37 residence for at least five years.

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

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

41 (e) Multiple Owners. – A permanent residence owned and occupied by husband
42 and wife as tenants by the entirety is entitled to the full benefit of the property tax
43 homestead circuit breaker notwithstanding that only one of them meets the occupation
44 requirement and the age or disability requirement of this section. When a permanent

1 residence is owned and occupied by two or more persons other than husband and wife,
 2 no property tax homestead circuit breaker is allowed unless all of the owners qualify
 3 and elect to defer taxes under this section.

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

Income	Percentage
Less than the income eligibility limit	4.0%
100% to 150% of the income eligibility limit	5.0%
<u>Income Over</u>	<u>Income Up To</u>
-0-	Income Eligibility Limit
Income Eligibility Limit	150% of Income Eligibility Limit
	<u>Percentage</u>
	4.0%
	5.0%

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

23 (h) Deferred Taxes. – The difference between the taxes due under this section
 24 and the taxes that would have been payable in the absence of this section are a lien on
 25 the real property of the taxpayer as provided in G.S. 105-355(a). The difference in taxes
 26 for the three fiscal years preceding the current tax year shall be carried forward in the
 27 records of the taxing unit or units as deferred taxes. ~~Interest accrues on the deferred~~
 28 ~~taxes due as if they had been payable on the dates on which they originally became due.~~
 29 The deferred taxes are due and payable in accordance with G.S. 105-277.1C when the
 30 property loses its eligibility for deferral because of the occurrence of a disqualifying
 31 event as provided in subsection (i) of this section. On or before September 1 of each
 32 year, the ~~assessor-collector~~ shall notify each residence owner to whom a tax deferral has
 33 previously been granted of the accumulated sum of deferred taxes and interest.

34 (i) Disqualifying Events. – ~~Taxes deferred under this section are payable within~~
 35 ~~nine months after a disqualifying event. The tax for the fiscal year that opens in a~~
 36 ~~calendar year in which deferred taxes become due is computed as if the property was~~
 37 ~~not eligible for property tax relief under this section.~~ Each of the following constitutes a
 38 disqualifying event:

- 39 (1) The owner transfers the residence. Transfer of the residence ~~under this~~
 40 ~~subdivision~~ is not a disqualifying event if (i) the owner transfers the
 41 residence ~~as part of a divorce proceeding to a co-owner of the~~
 42 residence or, as part of a divorce proceeding, to either his or her spouse
 43 ~~who qualifies for tax deferral under this section or to a co-owner of the~~
 44 residence, and (ii) that individual occupies or continues to occupy the

1 property as his or her permanent residence, and (iii) that individual
2 elects to continue deferring payment of the tax residence.

- 3 (2) The owner dies. Death of the owner ~~under this subdivision~~ is not a
4 disqualifying event if (i) the owner's share passes to either a co-owner
5 of the residence or to his or her spouse who qualifies for tax deferral
6 under this section or to a co-owner of the residence, residence and (ii)
7 that individual occupies or continues to occupy the property as his or
8 her permanent residence, and (iii) that individual elects to continue
9 deferring payment of the tax residence.

- 10 (3) The owner ceases to use the property as a permanent residence.

11 (j) Interruption of Qualification. — ~~If the owner of a tax-deferred residence does~~
12 ~~not qualify under this section for deferral as of January 1 preceding a taxable year for~~
13 ~~reasons other than a disqualifying event or if the owner of a tax-deferred residence~~
14 ~~revokes an application for deferral by notifying the assessor in writing, the owner may~~
15 ~~not defer any additional property taxes under this section without submitting a new~~
16 ~~application. Deferred taxes from earlier years do not become due because of an~~
17 ~~interruption of qualification; however, deferred taxes existing at the time of an~~
18 ~~interruption of qualification shall be carried forward until the occurrence of a~~
19 ~~disqualifying event. If the owner qualifies for tax deferral under this section following~~
20 ~~an interruption of qualification, the taxing unit or units shall disregard the years during~~
21 ~~which there was an interruption of qualification for purposes of determining the three~~
22 ~~fiscal years preceding the current tax year under subsection (g) of this section.~~
23 Gap in
24 Deferral. — If an owner of a residence on which taxes have been deferred under this
25 section is not eligible for continued deferral for a tax year, the taxes deferred from the
26 prior tax years are not due and payable but are carried forward until a disqualifying
27 event occurs. If the owner of the residence qualifies for deferral after one or more years
28 in which he or she did not qualify for deferral, the years in which the owner did not
29 qualify are disregarded in determining the three years for which the deferred taxes are
30 carried forward.

31 (k) Prepayment. — ~~All or part of the deferred taxes and accrued interest may be~~
32 ~~paid to the tax collector at any time. Any partial payment is applied first to accrued~~
33 ~~interest. A residence owner to whom a tax deferral has previously been granted may~~
34 ~~revoke the application for deferral at any time by notifying the assessor in writing.~~

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

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

43 (n) Application. — An application for property tax relief provided by this section
44 should be filed during the regular listing period, but may be filed and must be accepted
at any time up to and through June 1 preceding the tax year for which the relief is

1 claimed. Persons may apply for this property tax relief by entering the appropriate
2 information on a form made available by the assessor under G.S. 105-282.1."

3 **SECTION 1.3.** G.S. 105-282.1(a)(2)e. is repealed.

4 **SECTION 1.4.** G.S. 153A-148.1(a) is amended by adding a new subdivision
5 to read:

6 "(a) Disclosure Prohibited. – Notwithstanding Chapter 132 of the General Statutes
7 or any other law regarding access to public records, local tax records that contain
8 information about a taxpayer's income or receipts are not public records. A current or
9 former officer, employee, or agent of a county who in the course of service to or
10 employment by the county has access to information about the amount of a taxpayer's
11 income or receipts may not disclose the information to any other person unless the
12 disclosure is made for one of the following purposes:

13 ...

14 (6) To include on a property tax receipt the amount of property taxes due
15 and the amount of property taxes deferred on a residence classified
16 under G.S. 105-277.1B, the property tax homestead circuit breaker."

17 **SECTION 1.5.** G.S. 160A-208.1(a) is amended by adding a new subdivision
18 to read:

19 "(a) Disclosure Prohibited. – Notwithstanding Chapter 132 of the General Statutes
20 or any other law regarding access to public records, local tax records that contain
21 information about a taxpayer's income or receipts are not public records. A current or
22 former officer, employee, or agent of a city who in the course of service to or
23 employment by the city has access to information about the amount of a taxpayer's
24 income or receipts may not disclose the information to any other person unless the
25 disclosure is made for one of the following purposes:

26 ...

27 (4) To include on a property tax receipt the amount of property taxes due
28 and the amount of property taxes deferred on a residence classified
29 under G.S. 105-277.1B, the property tax homestead circuit breaker."

30 **PART II: DEFERRAL PROGRAM MODIFICATIONS**

31 **SECTION 2.1.** G.S. 105-275(29a) reads as rewritten:

32 **"§ 105-275. Property classified and excluded from the tax base.**

33 The following classes of property are hereby designated special classes under
34 authority of Article V, Sec. 2(2), of the North Carolina Constitution and shall not be
35 listed, appraised, assessed, or taxed:

36 ...

37 (29a) Land that is within an historic district ~~held,~~ and is held by a nonprofit
38 corporation organized for historic preservation ~~purposes,~~ purposes for
39 use as a future site for an historic structure that is to be moved to the
40 site from another location. Property may be classified under this
41 subdivision for no more than five years. The taxes that would
42 otherwise be due on land classified under this subdivision shall be a
43 lien on the real property of the taxpayer as provided in G.S.
44

1 105-355(a). The taxes shall be carried forward in the records of the
 2 taxing unit or units as deferred taxes and shall be payable five years
 3 from the fiscal year the exclusion is first claimed unless an historic
 4 structure is moved onto the site during that time. If an historic structure
 5 has not been moved to the site within five years, then deferred taxes
 6 for the preceding five fiscal years shall immediately be payable,
 7 together with interest as provided in G.S. 105-360 for unpaid taxes that
 8 shall accrue on the deferred taxes as if they had been payable on the
 9 dates on which they would originally become due. All liens arising
 10 under this subdivision are extinguished upon either the payment of any
 11 deferred taxes under this subdivision or the location of an historic
 12 structure on the site within the five-year period allowed under this
 13 subdivision. taxes. The deferred taxes are due and payable in
 14 accordance with G.S. 105-277.1C when the property loses its
 15 eligibility for deferral as a result of a disqualifying event. A
 16 disqualifying event occurs when an historic structure is not moved to
 17 the property within five years from the first day of the fiscal year the
 18 property was classified under this subdivision."

19 **SECTION 2.2.** Chapter 105 of the North Carolina General Statutes is
 20 amended by adding a new section to read:

21 **"§ 105-277.1C. Uniform provisions for payment of deferred taxes.**

22 (a) Scope. – This section applies to the following deferred tax programs:

- 23 (1) G.S. 105-275(29a), historic district property held as future site of
 24 historic structure.
 25 (2) G.S. 105-277.1B, the property tax homestead circuit breaker.
 26 (3) G.S. 105-277.4(c), present-use value property.
 27 (4) G.S. 105-277.14, working waterfront property.
 28 (5) G.S. 105-278(b), historic property.
 29 (6) G.S. 105-278.6(e), nonprofit property held as future site of low- or
 30 moderate-income housing.

31 (b) Payment. – Taxes deferred on property under a deferral program listed in
 32 subsection (a) of this section are due and payable on the day the property loses its
 33 eligibility for the deferral program as a result of a disqualifying event. If only a part of
 34 property for which taxes are deferred loses its eligibility for deferral, the assessor must
 35 determine the amount of deferred taxes that apply to that part and that amount is due
 36 and payable. Interest accrues on deferred taxes as if they had been payable on the dates
 37 on which they would have originally become due.

38 The tax for the fiscal year that begins in the calendar year in which the deferred
 39 taxes are due and payable is computed as if the property had not been classified for that
 40 year. A lien for deferred taxes is extinguished when the taxes are paid.

41 All or part of the deferred taxes that are not due and payable may be paid to the tax
 42 collector at any time without affecting the property's eligibility for deferral. A partial
 43 payment is applied first to accrued interest."

44 **SECTION 2.3.** G.S. 105-277.4(c) reads as rewritten:

1 "(c) Deferred Taxes. – Land meeting the conditions for classification under
2 G.S. 105-277.3 must be taxed on the basis of the value of the land for its present use.
3 The difference between the taxes due on the present-use basis and the taxes that would
4 have been payable in the absence of this classification, together with any interest,
5 penalties, or costs that may accrue thereon, are a lien on the real property of the
6 taxpayer as provided in G.S. 105-355(a). The difference in taxes must be carried
7 forward in the records of the taxing unit or units as deferred taxes. The deferred taxes
8 for the preceding three fiscal years are due and payable in accordance with
9 G.S. 105-277.1C when the property loses its eligibility for deferral as a result of a
10 disqualifying event. A disqualifying event occurs when the land fails to meet any
11 condition or requirement for classification or when an application is not approved. The
12 taxes become due and payable when the land fails to meet any condition or requirement
13 for classification. Failure to have an application approved is ground for disqualification.
14 The tax for the fiscal year that opens in the calendar year in which deferred taxes
15 become due is computed as if the land had not been classified for that year, and taxes
16 for the preceding three fiscal years that have been deferred are immediately payable,
17 together with interest as provided in G.S. 105-360 for unpaid taxes. Interest accrues on
18 the deferred taxes due as if they had been payable on the dates on which they originally
19 became due. If only a part of the qualifying tract of land fails to meet a condition or
20 requirement for classification, the assessor must determine the amount of deferred taxes
21 applicable to that part and that amount becomes payable with interest as provided
22 above. Upon the payment of any taxes deferred in accordance with this section for the
23 three years immediately preceding a disqualification, all liens arising under this
24 subsection are extinguished. The deferred taxes for any given year may be paid in that
25 year without the qualifying tract of land becoming ineligible for deferred status."

26 **SECTION 2.4.** G.S. 105-277.14(c) reads as rewritten:

27 "(c) Deferred Taxes. – The difference between the taxes that are due on working
28 waterfront property taxed on the basis of its present use and that would be due if the
29 property were taxed on the basis of its true value is a lien on the property. The
30 difference in taxes must be carried forward in the records of each taxing unit as deferred
31 taxes. The deferred taxes for the preceding three fiscal years are due and payable in
32 accordance with G.S. 105-277.1C when the property loses its eligibility for deferral as a
33 result of a disqualifying event. A disqualifying event occurs when the property no
34 longer qualifies as working waterfront property. The deferred taxes become due when
35 the property no longer qualifies as working waterfront property. The tax for the fiscal
36 year that opens in the calendar year in which deferred taxes become due is computed as
37 if the property had not been classified for that year, and taxes for the preceding three
38 fiscal years that have been deferred are immediately payable, together with interest, as
39 provided in G.S. 105-360 for unpaid taxes. Interest accrues on the deferred taxes due as
40 if they had been payable on the dates on which they originally became due. If only a
41 part of the property no longer qualifies as working waterfront property, the assessor
42 must determine the amount of deferred taxes applicable to that part and that amount
43 becomes payable with interest. Upon the payment of any taxes deferred under this

1 section for the three years immediately preceding a disqualification, all liens arising
2 under this subsection are extinguished."

3 **SECTION 2.5.** G.S. 105-278(b) reads as rewritten:

4 "(b) The difference between the taxes due on the basis of fifty percent (50%) of
5 the true value of the property and the taxes that would have been payable in the absence
6 of the classification provided for in subsection (a) shall be a lien on the property of the
7 taxpayer as provided in ~~G.S. 105-355(a)~~ and G.S. 105-355(a). The taxes shall be carried
8 forward in the records of the taxing unit or units as deferred taxes, ~~but shall not be~~
9 ~~payable until the property loses its eligibility for the benefit of this classification~~
10 ~~because of a change in an ordinance designating a historic property or a change in the~~
11 ~~property, except by fire or other natural disaster, which causes its historical significance~~
12 ~~to be lost or substantially impaired.~~ taxes. The deferred taxes for the preceding three
13 fiscal years are due and payable in accordance with G.S. 105-277.1C when the property
14 loses the benefit of this classification as a result of a disqualifying event. A
15 disqualifying event occurs when there is a change in an ordinance designating a historic
16 property or a change in the property, other than by fire or other natural disaster, that
17 causes the property's historical significance to be lost or substantially impaired. The tax
18 for the fiscal year that opens in the calendar year in which a disqualification occurs shall
19 be computed as if the property had not been classified for that year, and taxes for the
20 preceding three fiscal years that have been deferred as provided herein shall be payable
21 immediately, together with interest thereon as provided in G.S. 105-360 for unpaid
22 taxes, which shall accrue on the deferred taxes as if they had been payable on the dates
23 on which they originally became due. If only a part of the historic property loses its
24 eligibility for the classification, a determination shall be made of the amount of deferred
25 taxes applicable to that part, and the amount shall be payable with interest as provided
26 above."

27 **SECTION 2.6.** G.S. 105-278.6(e) reads as rewritten:

28 "(e) Real property held by an organization described in subdivision (a)(8) is held
29 for a charitable purpose under this section if it is ~~held for no more than five years as a~~
30 ~~future site for housing for individuals or families with low or moderate~~
31 ~~incomes.~~ incomes may be classified under this section for no more than five years. The
32 taxes that would otherwise be due on real property exempt under this subsection shall be
33 a lien on the property as provided in G.S. 105-355(a). The taxes shall be carried forward
34 in the records of the taxing unit as deferred taxes and ~~shall be payable five years after~~
35 ~~the tax year the exemption is first claimed unless the organization has constructed low-~~
36 ~~or moderate income housing on the site. If this condition has not been met, the deferred~~
37 ~~taxes for the preceding five fiscal years shall be payable immediately, together with~~
38 ~~interest as provided in G.S. 105-360 for unpaid taxes that accrues on the deferred taxes~~
39 ~~as if they had been payable on the dates they would have originally become due. All~~
40 ~~liens arising under this subsection are extinguished upon one of the following:~~

41 (1) ~~Payment of all deferred taxes under this subsection.~~

42 (2) ~~Construction by the organization of low or moderate income housing~~
43 ~~on the site within five years after the tax year the exemption is first~~
44 ~~claimed.~~ taxes. The deferred taxes are due and payable in accordance

1 with G.S. 105-277.1C when the property loses its eligibility for
2 deferral as a result of a disqualifying event. A disqualifying event
3 occurs when the organization fails to construct low- or
4 moderate-income housing on the site within five years from the first
5 day of the fiscal year the property was classified under this
6 subsection."

7 **SECTION 2.7.** G.S. 105-360(a) reads as rewritten:

8 "(a) Taxes levied under this Subchapter by a taxing unit are due and payable on
9 September 1 of the fiscal year for which the taxes are levied. Taxes are payable at par or
10 face amount if paid before January 6 following the due date. Taxes paid on or after
11 January 6 following the due date ~~are delinquent and~~ are subject to interest charges.
12 Interest accrues on taxes paid on or after January 6 as follows:

- 13 (1) For the period January 6 to February 1, interest accrues at the rate of
14 two percent ~~(2%); and~~(2%).
15 (2) For the period February 1 until the principal amount of the taxes, the
16 accrued interest, and any penalties are paid, interest accrues at the rate
17 of three-fourths of one percent (3/4%) a month or fraction thereof."

18 **SECTION 2.8.** Article 26 of Chapter 105 of the General Statutes is amended
19 by adding a new section to read:

20 "**§ 105-365.1. When and against whom collection remedies may be used.**

21 (a) Date of Delinquency. – A tax collector may collect a tax using the remedies
22 provided in G.S. 105-366 through G.S. 105-375 on or after the date the tax is
23 delinquent. A tax is delinquent on the following date:

- 24 (1) For a tax that is not a deferred tax, the date the tax accrues interest.
25 (2) For a deferred tax, other than a tax described in subdivision (3) of this
26 subsection, the date a disqualifying event occurs.
27 (3) For a deferred tax under G.S. 105-277.1B that lost its eligibility for
28 deferral due to the death of the owner, the first day of the sixth month
29 following the date of death.

30 (b) Enforced Collection. – For purposes of using the collection remedies
31 provided in G.S. 105-366 through G.S. 105-375 to collect delinquent taxes, the taxing
32 unit shall proceed against property of the following taxpayer:

- 33 (1) To collect delinquent taxes assessed on real property, the owner of
34 record of property on which tax is due as of the date of delinquency
35 and any subsequent owner of record of the property.
36 (2) To collect delinquent taxes assessed on personal property, the owner of
37 record as of January 1 of the calendar year in which the fiscal year of
38 taxation begins.
39 (3) To collect delinquent taxes assessed on a registered motor vehicle, the
40 owner of record as of the date on which the current vehicle registration
41 is renewed or the date on which a new registration is applied for."
42

43 **PART III: TECHNICAL CORRECTION**

44 **SECTION 3.** G.S. 105-277.1(a2) reads as rewritten:

1 "(a2) **(Effective for taxes imposed for taxable years beginning on or after July**
2 **1, 2008)** Income Eligibility Limit. – ~~Until~~ For the taxable year beginning on July 1,
3 2008, the income eligibility limit is twenty-five thousand dollars (\$25,000). For taxable
4 years beginning on or after July 1, ~~2008,2009,~~ the income eligibility limit is the amount
5 for the preceding year, adjusted by the same percentage of this amount as the percentage
6 of any cost-of-living adjustment made to the benefits under Titles II and XVI of the
7 Social Security Act for the preceding calendar year, rounded to the nearest one hundred
8 dollars (\$100.00). On or before July 1 of each year, the Department of Revenue must
9 determine the income eligibility amount to be in effect for the taxable year beginning
10 the following July 1 and must notify the assessor of each county of the amount to be in
11 effect for that taxable year."

12
13 **PART IV: EFFECTIVE DATE**

14 **SECTION 4.** This act is effective for taxes imposed for taxable years
15 beginning on or after July 1, 2008.