



## North Carolina Department of Revenue

Michael F. Easley  
Governor

Reginald S. Hinton  
Secretary

September 26, 2007

### **MEMORANDUM**

TO: County Assessors and Tax Administrators

FROM: David B. Baker, Director  
Property Tax Division

RE: 2007 Property Tax Legislation

We are enclosing a summary of the significant property tax legislation (having state-wide application) enacted by the 2007 Session of the North Carolina General Assembly. The summary includes the bill number, purpose of the bill, and brief comments as to each ratified bill. This year we are not enclosing copies of the chaptered bills. A copy of each bill may be obtained at the following web page.

<http://www.ncga.state.nc.us/>

House Bill 1499 provides for changes and amendments to the Homestead Exclusion for 2008 and 2009. For 2008 the income threshold increases to \$25,000.00, and the amount of the exclusion increases to the greater of \$25,000.00 or 50 percent of the assessed value. This bill also changes the definition of income starting in 2008. Enclosed are the new applications for the Homestead Exclusion for 2008.

Our office will be holding four half-day workshops across the State in October of this year to explain changes and discuss the new forms for 2008. We will be sending out additional information about the locations, dates and times for these workshops.

This bill also creates a new Property Tax Homestead Circuit Breaker for tax year 2009 in which taxpayers who qualify for and elect this option will pay taxes as limited by a percentage of their income. The unpaid difference in taxes will continue on the records as deferred taxes which will become payable, for up to three prior years, upon a disqualifying event. There will be a pre-conference session at the NCAAO's Fall Conference in November of this year to explain and discuss the new Homestead Circuit Breaker for 2009. Please make plans to send someone from your office to the session in order to prepare for this major change in the Exclusion for 2009.

If you do not serve as the tax collector, please make copies of this memorandum and summary available to the person holding that position in your county.

If you have any questions concerning any of this new legislation, please call our staff at 919-733-7711.

## 2007 PROPERTY TAX LEGISLATION

### **Bills Enacted by the 2007 Session of the N.C. General Assembly**

#### Ratified House Bills

##### **HB 63**

**G.S. 105-275 — Property Tax – School Capital Leases:** Adds a new property tax exclusion for real or personal property that is subject to a capital lease pursuant to G.S. 115C-531.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2007; HB 63, S.L. 2007-477 s.1.)

##### **HB 464**

**G.S. 161-31 — Collection of Delinquent Property Taxes:** Adds Burke County, Caswell County, Greene County, Jones County and Wayne County to the list of counties which may, by resolution, require the register of deeds not to accept any deed transferring real property for registration unless the county tax collector has certified that no delinquent taxes are a lien on the property described in the deed.

(Effective July 16, 2007; HB 464, S.L. 2007-221 s. 1.)

##### **HB 1499**

**G.S. 105-277.1 — Adjusts the Exclusion Amount, Income Eligibility Limit, and the Definition of Income for the Homestead Exclusion:** This bill raises the exclusion amount to the greater of \$25,000 (previously \$20,000) or 50% of the appraised value of the residence. This bill also raises the income eligibility limit for the homestead exclusion to \$25,000 for the 2008 tax year. The limit for subsequent years will continue to be adjusted and set by the NCDOR according to the cost-of-living adjustments as currently required by the statutes. The bill also changes the definition of income by deleting the language “Adjusted gross income, as defined in section 62 of the Code, plus all other...” and replacing it with the word “All”.

This bill also provides for the election by the taxpayer of the traditional homestead exclusion or the newly enacted homestead circuit breaker (effective for taxable years beginning on or after July 1, 2009) when the taxpayer qualifies for both provisions.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2008; HB 1499, S.L. 2007-497 s. 1.1, s. 2.1 and s. 2.2.)

**S.L. 2007-497 Section 1.2 — Revenue Laws Study Committee to Study Issue of Indexing the Minimum Excluded Appraised Value in the Homestead Exclusion:**

The Revenue Laws Study Committee may study the issue of whether to index the minimum excluded appraised value limit in the property tax homestead exclusion in G.S. 105-277.1 and, if so, which index to use.

(Effective August 30, 2007; HB 1499, S.L. 2007-497 s. 1.2.)

**G.S. 105-277.1B — Creates New Property Tax Homestead Circuit Breaker:** This bill creates a new property tax homestead circuit breaker program, effective for taxable years beginning on or after July 1, 2009. Taxpayers who qualify for and elect this option will pay taxes as limited by a percentage of their income. The unpaid difference in taxes will continue on the records as deferred taxes which will become payable, for up to three prior years, upon a disqualifying event. An initial application is required, but an application is not required in subsequent years unless there are changes that would require a review of the qualifications of the property or the owner.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2009; HB 1499, S.L. 2007-497 s. 2.3, 2.4, and 2.5.)

**G.S. 105-277.3 — Modifies Definition of Agricultural Land to Specifically Include Aquatic Species:** This bill states that land used to farm aquatic species can be agricultural land if the land meets the income requirements, and if the land in production is at least five acres or has produced at least 20,000 pounds of aquatic species for commercial sale annually, regardless of size.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2008; HB 1499, S.L. 2007-497 s. 3.1.)

**S.L. 2007-497 Sections 4.1 and 4.2 — Revenue Laws Study Committee to Study Tax Relief for Nondevelopmental Property:** The Revenue Laws Study Committee may study ways to address the inability of landowners to pay property taxes while maintaining nondevelopmental uses.

(Effective August 30, 2007; HB 1499, S.L. 2007-497 s. 4.1 and s. 4.2.)

## **HB 1555**

**G.S. 105-288(a) — Property Tax Commission Terms:** Provides for all appointments to the Property Tax Commission to be four-year terms by changing the term of the member appointed by the Speaker of the House of Representatives from two years to four years. Applies to appointments made after July 1, 2007.

(Effective July 28, 2007; HB 1555, S.L. 2007-308 s. 1.)

## **HB 1688**

**G.S. 105-330.10 — Disposition of Interest:** Clarifies that the interest on unpaid registration fees pursuant to G.S. 105-330.4 shall be transferred on a monthly basis to the North Carolina Highway Fund for technology improvements within the Division of Motor Vehicles. Also clarifies that the interest generated by the funds in the Combined Motor Vehicle and Registration Account shall be credited to the account.

(Effective August 29, 2007; HB 1688, S.L. 2007-471 s. 7.(a).)

**G.S. 20-79.1, 20-79.1A, 105-330.4 and 105-330.5 — Use of Temporary Registration Plates or Markers by Purchasers of Motor Vehicle in Lieu of Dealer's Plates:**

Provides a procedure where by a new motor vehicle owner may purchase a vehicle and is not required to pay the taxes at the time the application for registration is made. Clarifies that motor vehicle dealers are not required to collect property taxes at the time a vehicle is sold.

(Effective July 1, 2010; HB 1688, S.L. 2007-471 s.1, s. 2, s. 3, s. 4 and s. 5.)

**G.S. 105-330.1(b) — International Registration Plan:** Adds vehicles registered under the International Registration Plan to the list of vehicles not classified under Article 22A. These vehicles are required to be listed with the county assessor in January of each year by the owner as of January 1<sup>st</sup> of each year.

(Effective July 1, 2010; HB 1688, S.L. 2007-471 s. 6.)

## **Ratified Senate Bills**

### **SB 242**

**G.S. 105-228.37 — Refund of Overpayment of Tax:** Changes the refund request procedures for overpayment of deed excise tax. The board of county commissioners must hold a hearing in accordance with the procedures that apply to a hearing held by a board of equalization and review on an appeal concerning the listing or appraisal of property. The decision of the county board may be appealed to the North Carolina Property Tax Commission pursuant to G.S. 105-290. The decision of the Property Tax Commission is subject to judicial review in accordance with G.S. 7A-29.

(Effective January 1, 2008; SB 242, S.L. 2007-491 s. 24.)

### **SB 624**

**G.S. 153A-357— Collection of Delinquent Property Taxes:** Adds Gates County to the list of counties which by resolution may prohibit the issuance of a building permit to a delinquent taxpayer.

(Effective May 30, 2007; SB 624, S.L. 2007-58 s. 1.)

## **SB 646**

**G.S. 105-277.14 — Taxation of Working Waterfront Property:** Provides tax relief for working waterfront property by requiring that property meeting the definition of a working waterfront be appraised at its present use and not at its highest and best use or true value. The difference in taxes due on the property appraised at its present use and the taxes due on the property appraised at its true value is a lien on the property and is to be carried as deferred taxes. If the property loses its qualification as a working waterfront, the current taxes are based on the true value of the property and the deferred taxes for the preceding three fiscal years become due with interest.

(Effective for taxes imposed for taxable years beginning on or after July 1, 2009; SB 646, S.L. 2007-485 s. 1.)

## **SB 1432**

**G.S. 105-290(d) — Challenge to an Administrative Subpoena:** Provides that upon a motion, the Property Tax Commission or a member of the Commission may quash a subpoena if it does not relate to a matter at issue or if the subpoena fails to describe with sufficient particularity why the evidence is required. A motion to quash a subpoena must be heard at least 10 days prior to the hearing for which the subpoena was issued. A denial to quash a subpoena is subject to immediate judicial review in the Superior Court of Wake County.

(Effective July 20, 2007; SB 1432, S.L. 2007-251 s. 3 and s. 4.)