

Personal Property Exemptions

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WHAT PROPERTY IS TAXED IN NC?

All property, real and personal, within the jurisdiction of the State shall be subject to taxation unless it is:

Excluded or **Exempted** from the tax base by a statute of statewide application enacted under the classification power accorded the General Assembly by the N.C. Constitution

(G.S. 105-274)



Rules of Interpretation

- Property is presumed to be _____
- The burden to prove otherwise is on the _____

Bragg Inv. Co. v. Cumberland County



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Blue Devil City "BID"

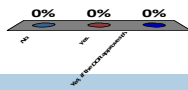
- The city and Carolina County want to encourage business investment in the city's downtown "business improvement district".
-



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May the county and the city exempt all new personal property put into use in the downtown improvement zone?

- A. No.
- B. Yes.
- C. Yes, if the DOR approves the exemption.




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**EXEMPTIONS UNDER
NC CONSTITUTION, ART. V, § 2 (3)**

➤ *GS 105-278.1 Units of Government*


- GS 105-278.3 Religious Property
- GS 105-278.4 Educational Property
- GS 105-278.5 Religious Educational
- GS 105-278.6 Charitable Property





2 Key Questions


1. Who owns the property?
2. How is the property being used?*

**except government property!*



**EXEMPT
EDUCATIONAL PROPERTY??**





EXEMPT EDUCATIONAL PROPERTY??



Exempt Government Property?

- Copiers leased by the city of Asheville from a private company and used in city hall.
- USPS delivery trucks
- Domino's Pizza restaurant equipment sited on Camp Lejuene
- Slot machines at Harrah's Cherokee Hotel & Casino

J.C.'s Coffee Shop

- The Church of the Benevolent Blue Devil is a long-established church in Blue Devil City.
- In 2015 it leases a storefront in downtown Blue Devil City and opens a coffee shop.

J.C.'s Coffee Shop

- The shop is staffed by congregation members.
- The coffee cups are inscribed with Bible verses.
- Information about the church is available on every table.
- The staff encourages all customers to attend church events.

Is the personal property used in the coffee shop taxable?

- A. Yes.
- B. No.



A screenshot of a website for Soul Ride Skatepark. The header features the name 'Soul Ride Skatepark' in green and black text. Below the name, it says '20,000 Sq. Ft. Indoor Skatepark with Full Shop' and '(617) SK8-PARK'. The main image shows the interior of the skatepark with ramps and rails. At the bottom, there are sections for 'Hours of Operation', 'Click To Print', and social media links for Facebook and Twitter.

Property Not In Use

- Duke University has a warehouse full of old desks, chairs and other furniture. It plans to sell the surplus at some point but as of January 1, 2015 the property is not being used.

Is the surplus property taxable for 2015?

- A. Yes.
- B. No.



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Exclusions

- +40 in GS 105-275
- Specific ownership and/or use requirements for each exclusion

Non-Business Personal Property

- Personal property that is used by the owner of the property **for a purpose other than the production of income** and is not used in connection with a business. The term includes household furnishings, clothing, pets, lawn tools, and lawn equipment. **The term does not include motor vehicles, mobile homes, aircraft, watercraft, or engines for watercraft.**

Non-Business Personal Property

- Riding mower owned by Johnny. He uses it to mow his own lawn and in his part-time lawn service business.
- Refrigerator in studio rental apartment above detached garage.
- Golf cart used by residential homeowner.

Inventory Exclusion

- 105-275(32a), (33), (34)
- Contractors
- Manufacturers
- Retail and wholesale merchants

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Inventory Exclusion

- Sugar used to make Krispy Kreme donuts?
- Boxes for Krispy Kreme donuts?
- Service loaner at auto dealer?
- Free Rx samples offered by doctor?

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Jet Plane Inventory?

- Jets R Us is a sales broker specializing in high-end private jets.
- It lists for sale 25 jets on its website along with prices and specs for each.

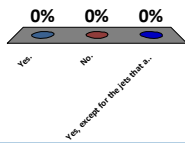
UNC 24

Jet Plane Inventory?

- The jets must be flown regularly to keep their engines functioning properly.
- Several of the jets are leased by the hour or the day to third-parties while they are listed for sale.

Are the jets exempt inventory?

- A. Yes.
- B. No.
- C. Yes, except for the jets that are leased to third-parties.



Recent PTC Opinion re: Jets

- Corporate Fleet Services LLC – January 2015
- Jets used by Hendrick Motor Sports while listed for sale by CFS were exempt inventory
- No lease between HMS and CFS

Applications: GS 105-282.1

- Default: Annual Application
- One-time Application:
 - Religious, charitable, educational
 - VFW, Masons, Elks, American Legion
- No Application:
 - Government
 - Inventory

Applications: GS 105-282.1

- Due end of listing period (Jan. 31?)
- Late applications: “good cause”
- December 31 absolute deadline

Discoveries and Exemptions

- In 2015, Tom Tarheel incorporates a new non-profit organization that will be providing housing to low-income individuals.
- The non-profit purchases office equipment and leases space in Carolina County.
- The non-profit fails to file any documents with the county tax office.

Discoveries and Exemptions

- In 2017, the county learns of the new business and sends a discovery notice for the office equipment for tax years 2016 and 2017.
- The non-profit responds to the discovery notice with an exemption application under G.S. 105-278.6 (charitable property).

Is the exemption application valid? If so, for what years?

- A. No, it is not valid for any years.
- B. Yes, but for 2017 only.
- C. Yes, for 2016 and 2017.

