

Residential Property Tax Relief

2016 DOR Advanced Real Property Seminar

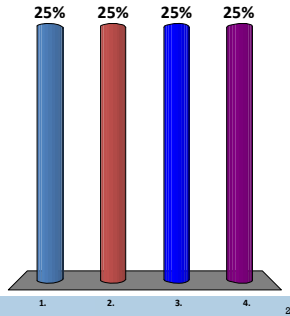
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September 15, 2016



Who can exempt or exclude property from taxation?

1. Gov. McCrory
2. The General Assembly
3. Board of County Commissioners or City Council
4. Coach K



WHAT PROPERTY IS TAXED IN NC?

105-274. Property subject to taxation.

- (a) **All property**, real and personal, within the jurisdiction of the State shall be subject to taxation unless it is:
- (1) **Excluded** from the tax base by a statute of **statewide** application enacted under the **classification** power accorded the **General Assembly** by the N.C. Constitution, or
 - (2) **Exempted** from taxation by the Constitution or by a statute of **statewide** application enacted under the authority granted the **General Assembly** by the N. C. Constitution.



Rules of Interpretation

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

Bragg Inv. Co. v. Cumberland County

UNC

What date do we use to determine if a property meets the eligibility requirements for an exemption or exclusion?

- A. January 1
- B. July 1
- C. The date on which the exemption application was filed.

Option	Percentage
January 1	33%
July 1	33%
The date on which the exemption application was filed	33%

UNC

The Big 3: Residential Property Tax Relief

- Elderly & Disabled Homestead Exclusion
- Disabled Veterans Exclusion
- Circuit Breaker Exclusion

UNC

The Big 3:
Residential Property Tax Relief

- “Permanent Residence”
 - A person’s legal residence
 - Dwelling + related improvements
 - Up to 1 acre

UNC 7

The Big 3:
Residential Property Tax Relief

- Uniform application
- NC DOR AV-9

UNC 8

When is the AV-9 application due?

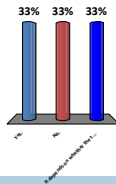
- A. January 1
- B. End of listing period
- C. June 1
- D. July 1
- E. December 31

Date	Percentage
January 1	20%
End of listing period	20%
June 1	20%
July 1	20%
December 31	20%

UNC 9

Bob qualifies for the E/D exclusion. He transfers his house to a trust, with himself as the initial beneficiary. Can Bob receive the exclusion for the house now owned by the trust?

- A. Yes.
- B. No.
- C. It depends on whether the trust is revocable.



The Big 3:

Residential Property Tax Relief

- An owner must choose one residential exclusion

- A property may be subject to more than one residential exclusion

The Big 3:

Residential Property Tax Relief

- Spouses:
 - If one spouse qualifies, both qualify
 - Must add income together if living together (regardless of how the property is titled)

The Big 3:
Residential Property Tax Relief

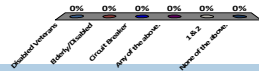
- Non-Spousal Co-Owners:
 - Disabled Veterans and Elderly/Disabled:
 - Mix and match
 - Circuit Breaker:
 - All or none

UNC 13

Charles and Diana are **married**. Charles qualifies for all three property tax relief exclusions. Diana is too young to qualify for any. Which of the three exclusions may apply to their jointly owned home?

1. Disabled Veterans
2. Elderly/Disabled
3. Circuit Breaker
4. Any of the above.
5. 1 & 2
6. None of the above.

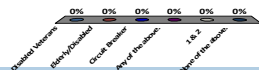
UNC 14



Charles and Diana are **siblings**. Charles qualifies for all three property tax relief exclusions. Diana is too young to qualify for any. Which of the three exclusions may apply to their jointly owned home?

1. Disabled Veterans
2. Elderly/Disabled
3. Circuit Breaker
4. Any of the above.
5. 1 & 2
6. None of the above.

UNC 15



Disabled Veterans Exclusion



UNC 16

**Disabled Veterans Exclusion:
Benefit to Taxpayer**
105-277.1C

- Reduce _____
- by \$ _____

UNC 17

**Disabled Veterans Exclusion:
Eligibility**

- Veteran discharged under 2 conditions:
 - Honorable Discharge
 - Discharge under honorable conditions

UNC 18

Disabled Veterans Exclusion: Eligibility

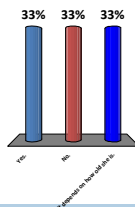
- Veteran's Disability Certification showing
 - 100% and "total & permanent"
 - service - connected
- Proof of benefits for special housing under 38 U.S.C. 2101

Disabled Veterans Exclusion: Eligibility

- Surviving Spouses:
 - Never remarried AND
 - Spouse died with disability OR
 - Spouse died in line of duty and not as result of willful misconduct

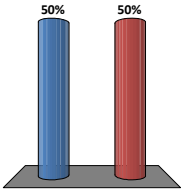
Susan is married to Sgt. Jones, who is killed in action in Iraq. May Susan receive the DV exclusion on the home she previously owned with her husband?

- A. Yes.
- B. No.
- C. It depends on how old she is.



Susan sells her old house and buys a new house. May Susan receive the DV exclusion on her new house?

A. Yes.
B. No.



Option	Percentage
A. Yes.	50%
B. No.	50%

UNC 23

Elderly or Disabled Exclusion



National Senior Citizens Day

UNC 23

Elderly or Disabled Exclusion
GS 105-277.1

- Reduce assessed value by **greater** of
-\$ _____ or
- _____ %

UNC 24

Elderly or Disabled Exclusion

GS 105-277.1

- Taxpayer must be EITHER

–65 y.o.

–Totally & permanently disabled



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Elderly or Disabled Exclusion

GS 105-277.1

- Disabled Applicants:

–No age restriction

–“substantially” precluded from working

–Continue without improvement



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Elderly or Disabled Exclusion

GS 105-277.1

- 2016 Income Limit:

–\$

–Indexed to Social Security benefits



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Elderly or Disabled Exclusion

GS 105-277.1

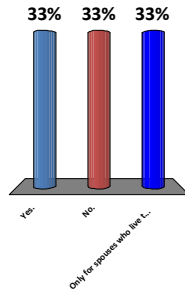
- **Income:**
 - ALL monies received EXCEPT
 - Gifts & inheritances from
 - Spouse
 - Lineal ancestor/descendant
- **Time period?**



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Must we combine income of co-owners to determine eligibility?

- A. Yes.
- B. No.
- C. Only for spouses who live together.



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Elderly or Disabled Exclusion

GS 105-277.1

- **Tommy TarHeel received the following funds in 2015. Is he eligible for the 2016 E/D exclusion?**
 - \$12,300 earned from part-time job
 - \$8,000 Social Security (tax-exempt)
 - \$5,000 from deceased grandparent
 - \$10,000 withdrawal from 401(k) account
- **Total income for eligibility purposes?**



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Circuit Breaker Exclusion GS 105-277.1B



Circuit Breaker Exclusion GS 105-277.1B

- Caps tax at a % of taxpayer's _____
- Taxes in excess of the cap are DEFERRED
- 3 years of deferred taxes are due upon _____ event

Circuit Breaker Exclusion GS 105-277.1B

- Eligibility:
 - 65 years old or P&T disabled (same as E/D)
 - Owned/occupied home for ___ years
 - Income:
 - 150% of E/D limit
 - \$_____ for 2016

**Circuit Breaker Exclusion
GS 105-277.1B**

- Spouses:
 - Only one spouse must qualify
(same as DV & E/D)
- Other Co-owners:
 - ALL must qualify and participate in CB
(not true for DV and E/D!)

UNC 34

**Circuit Breaker Exclusion
GS 105-277.1B**

- Property taxes capped at
 - ___% of income if income \leq E/D \$ limit
 - ___% of income if income between 100% of E/D limit and 150% of E/D limit

UNC 35

**Circuit Breaker Exclusion
GS 105-277.1B**

- Income \$20,000, maximum tax = \$ _____
- Income \$30,000, maximum tax = \$ _____

UNC 36

Circuit Breaker Cap

- Coach K is in the CB for 2016.
- He earned \$30,000 in 2015.
- He appears at the tax office on January 15, 2017 to pay his 2016 taxes.
- Without the exclusion, his 2016 tax bill would be \$2,000.
- His property is subject to a \$1,000 special assessment in 2016.
- What amount must Coach K pay?

Circuit Breaker Exclusion GS 105-277.1B

- **Deferred Taxes:**
 - All taxes over the CB limit are deferred
 - Deferred taxes are a _____ on the property
 - Interest begins to accrue on deferred taxes when?
 - *GS 105-277.1F*

Circuit Breaker Exclusion GS 105-277.1B

- **Disqualifying Event:**
 - Upon a DQ event, the most recent _____ years of deferred taxes are due and payable

Circuit Breaker Exclusion GS 105-277.1B

- **Disqualifying Events:**
 - Death of owner*
 - Transfer of the property*
 - No longer used as permanent residence

Circuit Breaker Exclusion GS 105-277.1B

- **NOT** a Disqualifying Event:
 - Increase in income
 - Failure to re-apply for CB
 - Participates instead in DV or E/D
- These events cause a _____ in CB eligibility
 - Which three years of deferred taxes are due?
 - Statute of limitations?

Circuit Breaker Exclusion GS 105-277.1B

- **Gap** Example:
- Fred and Beth are married and participate in the CB from 2010 to 2013. Fred dies in 2013. Beth, who is 62 in 2013, continues to live in their house. When Beth turns 65 in 2016, she begins to participate in the CB. In 2017, Beth sells her house to her daughter.
 - When are the CB deferred taxes due and delinquent?
 - Which years of deferred taxes are due?

