

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2007

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HOUSE DRH70731-MC<sub>xz</sub>-195D\* (2/4)

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

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Sponsors: Representatives Brubaker, Hill (Primary Sponsors); Luebke, Carney, Gibson, McComas, McGee, Wainwright, and Weiss.

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Referred to:

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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- (4) Repealed by Session Laws 1973, c. 695, s. 15, effective January 1, 1974.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.

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

1            ~~b.    goods~~ Goods held by construction contractors to be furnished in  
2            the course of building, installing, repairing, or improving real  
3            property.

4            ~~c.    As to manufacturers, the term includes raw raw materials,  
5            goods in process, and finished goods, as well as or other  
6            materials or supplies that are consumed in manufacturing or  
7            ~~processing,~~ processing or that accompany and become a part of  
8            the sale of the property being sold. The term does not include  
9            fuel used in manufacturing or processing and materials or  
10           supplies not used directly in manufacturing or processing.~~

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

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

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

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

28           (10a) ~~"Local tax official" includes a~~ Local tax official. – A county assessor,  
29           an assistant county assessor, a member of a county board of  
30           commissioners, a member of a county board of equalization and  
31           review, a county tax collector, ~~and or~~ the municipal equivalents  
32           equivalent of one of these officials.

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

40           (11) ~~"Municipal corporation" and "municipality" mean city,~~ Municipal  
41           corporation or municipality. – A city, town, incorporated village,  
42           sanitary district, rural fire protection district, rural recreation district,  
43           mosquito control district, hospital district, metropolitan sewerage  
44           district, watershed improvement district, a consolidated city-county as

1 defined by G.S. 160B-2, or ~~other another~~ district or unit of local  
 2 government by or for which ad valorem taxes are levied. ~~The terms~~  
 3 ~~also include a consolidated city county as defined by G.S. 160B-2(1).~~

4 (12) ~~"Person" and "he" include any~~Person. – An individual, a trustee, an  
 5 executor, an administrator, ~~other another~~ fiduciary, a corporation, a  
 6 limited liability company, an unincorporated association, a partnership,  
 7 a sole proprietorship, a company, a firm, or ~~other another~~ legal entity.

8 (13) ~~"Real property," "real estate," and "land" mean not only the~~Real  
 9 property, real estate, or land. – Any of the following:

10 a. ~~The land itself,~~itself.

11 b. ~~but also buildings,~~Buildings, structures, improvements, ~~and or~~  
 12 permanent fixtures on ~~the land,~~land.

13 c. ~~and all~~All rights and privileges belonging or in any way  
 14 appertaining to the property.

15 d. ~~These terms also mean a~~A manufactured home as defined in  
 16 G.S. 143-143.9(6)~~G.S. 143-143.9(6)~~, unless it is considered  
 17 tangible personal property for failure to meet all of the  
 18 following requirements:

19 1. ~~if it~~It is a residential ~~structure;~~structure.

20 2. It has the moving hitch, wheels, and axles  
 21 ~~removed;~~removed.

22 3. ~~and~~It is placed upon a permanent foundation either on  
 23 land owned by the owner of the manufactured home or  
 24 on land in which the owner of the manufactured home  
 25 has a leasehold interest pursuant to a lease with a  
 26 primary term of at least 20 years ~~for the real property on~~  
 27 ~~which the manufactured home is affixed and where the~~  
 28 lease expressly provides for disposition of the  
 29 manufactured home upon termination of the lease. A  
 30 ~~manufactured home as defined in G.S. 143-143.9(6) that~~  
 31 ~~does not meet all of these conditions is considered~~  
 32 tangible personal property.

33 (13a) ~~"Retail Merchant" means a~~Retail merchant. – A taxpayer who is  
 34 regularly engaged in the sale of tangible personal property, acquired by  
 35 a means other than manufacture, processing, or producing by the  
 36 merchant, to users or consumers.

37 (13b) ~~"Substantial understatement" means the~~Substantial understatement. –  
 38 The omission of a material portion of the value, quantity, or other  
 39 measurement of taxable property. The determination of materiality in  
 40 each case shall be made by the assessor, subject to the taxpayer's right  
 41 to review of the determination by the county board of equalization and  
 42 review or board of commissioners and appeal to the Property Tax  
 43 Commission.

- 1 (14) ~~"Tangible personal property" means all~~Tangible personal property. –  
2 All personal property that is not intangible and that is not permanently  
3 affixed to real property.
- 4 (15) ~~"Tax" and "taxes" include the~~Tax or taxes. – The principal amount of  
5 any tax, costs, penalties, and interest imposed upon property tax or dog  
6 license tax, property tax or dog license tax and costs, penalties, and  
7 interest.
- 8 (16) ~~"Taxing unit" means a~~Taxing unit. – A county or municipality  
9 authorized to levy ad valorem property taxes.
- 10 (17) ~~"Taxpayer" means any~~Taxpayer. – A person whose property is subject  
11 to ad valorem property taxation by any county or municipality and any  
12 person who, under the terms of this Subchapter, has a duty to list  
13 property for taxation. ~~For purposes of collecting delinquent ad valorem~~  
14 ~~taxes assessed on real property under G.S. 105-366 through~~  
15 ~~G.S. 105-375, "taxpayer" means the owner of record on the date the~~  
16 ~~taxes become delinquent and any subsequent owner of record of the~~  
17 ~~real property if conveyed after that date.~~
- 18 (18) ~~"Valuation" means appraisal~~Valuation. – Appraisal and assessment.
- 19 (19) ~~"Wholesale Merchant" means a~~Wholesale merchant. – A taxpayer who  
20 is regularly engaged in the sale of tangible personal property, acquired  
21 by a means other than manufacture, processing, or producing by the  
22 merchant, to other retail or wholesale merchants for resale or to  
23 manufacturers for use as ingredient or component parts of articles  
24 being manufactured for sale."

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

26 **"§ 105-277.1B. Property tax homestead circuit breaker.**

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

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

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

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

- 38 (1) The owner has an income for the preceding calendar year of not more  
39 than one hundred fifty percent (150%) of the income eligibility limit  
40 specified in subsection (c) of this section.
- 41 (2) The owner has owned and occupied the property as a permanent  
42 residence for at least five years.
- 43 (3) The owner is at least 65 years of age or totally and permanently  
44 disabled.

(4) The owner is a North Carolina resident.

(e) Multiple Owners. – A permanent residence owned and occupied by husband and wife as tenants by the entirety is entitled to the full benefit of the property tax homestead circuit breaker notwithstanding that only one of them meets the occupation requirement and the age or disability requirement of this section. When a permanent residence is owned and occupied by two or more persons other than husband and wife, no property tax homestead circuit breaker is allowed unless all of the owners qualify and elect to defer taxes under this section.

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

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

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

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

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

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

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

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

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

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

40          (l) Creditor Limitations. – A mortgagee or trustee that elects to pay any tax  
41          deferred by the owner of a residence subject to a mortgage or deed of trust does not  
42          acquire a right to foreclose as a result of the election. Except for requirements dictated  
43          by federal law or regulation, any provision in a mortgage, deed of trust, or other

1 agreement that prohibits the owner from deferring taxes on property under this section  
2 is void.

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

5 (n) Application. – An application for property tax relief provided by this section  
6 should be filed during the regular listing period, but may be filed and must be accepted  
7 at any time up to and through June 1 preceding the tax year for which the relief is  
8 claimed. Persons may apply for this property tax relief by entering the appropriate  
9 information on a form made available by the assessor under G.S. 105-282.1."

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

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

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

20 ...

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

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

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

33 ...

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

37  
38 **PART II: DEFERRAL PROGRAM MODIFICATIONS**

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

40 "**§ 105-275. Property classified and excluded from the tax base.**

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

44 ...



1 (29a) Land that is within an historic district held, and is held by a nonprofit  
2 corporation organized for historic preservation ~~purposes,~~ purposes for  
3 use as a future site for an historic structure that is to be moved to the  
4 site from another location. Property may be classified under this  
5 subdivision for no more than five years. The taxes that would  
6 otherwise be due on land classified under this subdivision shall be a  
7 lien on the real property of the taxpayer as provided in G.S.  
8 105-355(a). The taxes shall be carried forward in the records of the  
9 taxing unit or units as deferred ~~taxes and shall be payable five years~~  
10 ~~from the fiscal year the exclusion is first claimed unless an historic~~  
11 ~~structure is moved onto the site during that time. If an historic structure~~  
12 ~~has not been moved to the site within five years, then deferred taxes~~  
13 ~~for the preceding five fiscal years shall immediately be payable,~~  
14 ~~together with interest as provided in G.S. 105-360 for unpaid taxes that~~  
15 ~~shall accrue on the deferred taxes as if they had been payable on the~~  
16 ~~dates on which they would originally become due. All liens arising~~  
17 ~~under this subdivision are extinguished upon either the payment of any~~  
18 ~~deferred taxes under this subdivision or the location of an historic~~  
19 ~~structure on the site within the five year period allowed under this~~  
20 ~~subdivision taxes. The deferred taxes are due and payable in~~  
21 ~~accordance with G.S. 105-277.1C when the property loses its~~  
22 ~~eligibility for deferral as a result of a disqualifying event. A~~  
23 ~~disqualifying event occurs when an historic structure is not moved to~~  
24 ~~the property within five years from the first day of the fiscal year the~~  
25 ~~property was classified under this subdivision."~~

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

28 "**§ 105-277.1C. Uniform provisions for payment of deferred taxes.**

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

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

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

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

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

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

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

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

34        "(c) Deferred Taxes. – The difference between the taxes that are due on working  
35 waterfront property taxed on the basis of its present use and that would be due if the  
36 property were taxed on the basis of its true value is a lien on the property. The  
37 difference in taxes must be carried forward in the records of each taxing unit as deferred  
38 taxes. The deferred taxes for the preceding three fiscal years are due and payable in  
39 accordance with G.S. 105-277.1C when the property loses its eligibility for deferral as a  
40 result of a disqualifying event. A disqualifying event occurs when the property no  
41 longer qualifies as working waterfront property. The deferred taxes become due when  
42 the property no longer qualifies as working waterfront property. The tax for the fiscal  
43 year that opens in the calendar year in which deferred taxes become due is computed as  
44 if the property had not been classified for that year, and taxes for the preceding three

1 fiscal years that have been deferred are immediately payable, together with interest, as  
2 provided in G.S. 105-360 for unpaid taxes. Interest accrues on the deferred taxes due as  
3 if they had been payable on the dates on which they originally became due. If only a  
4 part of the property no longer qualifies as working waterfront property, the assessor  
5 must determine the amount of deferred taxes applicable to that part and that amount  
6 becomes payable with interest. Upon the payment of any taxes deferred under this  
7 section for the three years immediately preceding a disqualification, all liens arising  
8 under this subsection are extinguished."

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

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

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

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

1 as if they had been payable on the dates they would have originally become due. All  
2 liens arising under this subsection are extinguished upon one of the following:

- 3 (1) Payment of all deferred taxes under this subsection.
- 4 (2) Construction by the organization of low- or moderate-income housing  
5 on the site within five years after the tax year the exemption is first  
6 claimed. The deferred taxes are due and payable in accordance  
7 with G.S. 105-277.1C when the property loses its eligibility for  
8 deferral as a result of a disqualifying event. A disqualifying event  
9 occurs when the organization fails to construct low- or  
10 moderate-income housing on the site within five years from the first  
11 day of the fiscal year the property was classified under this  
12 subsection."

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

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

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

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

26 **"§ 105-365.1. When and against whom collection remedies may be used.**

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

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

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

- 39 (1) To collect delinquent taxes assessed on real property, the owner of  
40 record of property on which tax is due as of the date of delinquency  
41 and any subsequent owner of record of the property.
- 42 (2) To collect delinquent taxes assessed on personal property, the owner of  
43 record as of January 1 of the calendar year in which the fiscal year of  
44 taxation begins.

1           (3) To collect delinquent taxes assessed on a registered motor vehicle, the  
2           owner of record as of the date on which the current vehicle registration  
3           is renewed or the date on which a new registration is applied for."  
4

5 **PART III: TECHNICAL CORRECTION**

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

7           "(a2) **(Effective for taxes imposed for taxable years beginning on or after July**  
8           **1, 2008)** Income Eligibility Limit. – ~~Until~~ For the taxable year beginning on July 1,  
9           2008, the income eligibility limit is twenty-five thousand dollars (\$25,000). For taxable  
10          years beginning on or after July 1, ~~2008,2009,~~ the income eligibility limit is the amount  
11          for the preceding year, adjusted by the same percentage of this amount as the percentage  
12          of any cost-of-living adjustment made to the benefits under Titles II and XVI of the  
13          Social Security Act for the preceding calendar year, rounded to the nearest one hundred  
14          dollars (\$100.00). On or before July 1 of each year, the Department of Revenue must  
15          determine the income eligibility amount to be in effect for the taxable year beginning  
16          the following July 1 and must notify the assessor of each county of the amount to be in  
17          effect for that taxable year."  
18

19 **PART IV: EFFECTIVE DATE**

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