

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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SENATE BILL DRS15432-MQfa-153

Short Title: Middle Class Homeowner Protection Act. (Public)

Sponsors: Senators Chaudhuri, Batch, and Mohammed (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO EXPAND THE PROPERTY TAX HOMESTEAD EXCLUSION TO INCLUDE
3 LOCAL, STATE, AND FEDERAL GOVERNMENT EMPLOYEES, TO REMOVE THE
4 AGE AND DISABILITY REQUIREMENTS AS CONDITIONS FOR QUALIFICATION
5 UNDER THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER, TO INCREASE
6 THE INCOME ELIGIBILITY LIMIT UNDER THE PROPERTY TAX HOMESTEAD
7 CIRCUIT BREAKER, AND TO PROVIDE ADDITIONAL FUNDING FOR THE
8 WORKFORCE HOUSING LOAN PROGRAM AND THE NORTH CAROLINA
9 HOUSING TRUST FUND.

10 The General Assembly of North Carolina enacts:

11
12 **PART I. HOMESTEAD TAX CHANGES**

13 **SECTION 1.1.** Article 12 of Subchapter II of Chapter 105 of the General Statutes is
14 amended by adding a new section to read:

15 "**§ 105-277.1E. Local, State, and federal government employees property tax homestead**
16 **exclusion.**

17 (a) Exclusion. – A permanent residence owned and occupied by a qualifying owner is
18 designated a special class of property under Article V, Sec. 2(2) of the North Carolina
19 Constitution and is taxable in accordance with this section. The amount of the appraised value of
20 the residence equal to the exclusion amount is excluded from taxation. The exclusion amount is
21 that portion of appraised value that would result in the property's total tax liability exceeding one
22 thousand dollars (\$1,000). An owner who receives an exclusion under this section may not
23 receive other property tax relief.

24 (a1) Temporary Absence. – An otherwise qualifying owner does not lose the benefit of
25 this exclusion because of a temporary absence from his or her permanent residence for reasons
26 of health, or because of an extended absence while confined to a rest home or nursing home, so
27 long as the residence is unoccupied or occupied by the owner's spouse or other dependent.

28 (b) Definitions. – The definitions provided in G.S. 105-277.1 apply to this section, except
29 "qualifying owner" means an owner who meets all of the following requirements as of January
30 1 preceding the taxable year for which the benefit is claimed:

- 31 (1) The owner received income from one or more local, State, or federal
32 government retirement plans for at least 20 years of creditable service.
33 (2) The owner's income does not exceed the income eligibility limit, as calculated
34 pursuant to G.S. 105-277.1.
35 (3) The owner is a North Carolina resident.



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1 (c) Application. – An application for the exclusion provided by this section should be
2 filed during the regular listing period, but may be filed and must be accepted at any time up to
3 and through June 1 preceding the tax year for which the exclusion is claimed.

4 (d) Ownership by Spouses. – A permanent residence owned and occupied by husband
5 and wife is entitled to the full benefit of this exclusion notwithstanding that only one of them
6 meets the government retirement requirements of this section.

7 (e) Other Multiple Owners. – This subsection applies to co-owners who are not husband
8 and wife. Each co-owner of a permanent residence must apply separately for the exclusion
9 allowed under this section.

10 When one or more co-owners of a permanent residence qualify for the exclusion allowed
11 under this section and none of the co-owners qualifies for the exclusion allowed under
12 G.S. 105-277.1, 105-277.1B, or 105-277.1C, each co-owner is entitled to the full amount of the
13 exclusion allowed under this section. The exclusion allowed to one co-owner may not exceed the
14 co-owner's proportionate share of the valuation of the property, and the amount of the exclusion
15 allowed to all the co-owners may not exceed the exclusion allowed under this section.

16 When one or more co-owners of a permanent residence qualify for the exclusion allowed
17 under this section and one or more of the co-owners qualify for the exclusion allowed under
18 G.S. 105-277.1, 105-277.1B, or 105-277.1C, each co-owner who qualifies for the exclusion
19 under this section is entitled to the full amount of the exclusion. The exclusion allowed to one
20 co-owner may not exceed the co-owner's proportionate share of the valuation of the property,
21 and the amount of the exclusion allowed to all the co-owners may not exceed the greater of the
22 exclusion allowed under this section and the exclusion allowed under G.S. 105-277.1,
23 105-277.1B, or 105-277.1C."

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

25 **"§ 105-277.1B. Property tax homestead circuit breaker.**

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

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

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

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

35 (1) The owner has an income for the preceding calendar year of not more than
36 ~~one hundred fifty percent (150%)~~ two hundred thirty-five percent (235%)
37 of the income eligibility limit specified in subsection (c) of this section.

38 (2) The owner has owned the property as a permanent residence for at least five
39 consecutive years and has occupied the property as a permanent residence for
40 at least five years.

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

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

43 (e) Multiple Owners. – A permanent residence owned and occupied by husband and wife
44 is entitled to the full benefit of the property tax homestead circuit breaker notwithstanding that
45 only one of them meets the ~~length of occupancy and ownership requirements and the age or~~
46 ~~disability requirement~~ of this section. When a permanent residence is owned and occupied by
47 two or more persons other than husband and wife, no property tax homestead circuit breaker is
48 allowed unless all of the owners qualify and elect to defer taxes under this section.

49 (f) Tax Limitation. – A qualifying owner may defer the portion of the principal amount
50 of tax that is imposed for the current tax year on his or her permanent residence and exceeds the
51 percentage of the qualifying owner's income set out in the table in this subsection. If a permanent

1 residence is subject to tax by more than one taxing unit and the total tax liability exceeds the tax
 2 limit imposed by this section, then both the taxes due under this section and the taxes deferred
 3 under this section must be apportioned among the taxing units based upon the ratio each taxing
 4 unit's tax rate bears to the total tax rate of all units.

Income Over	Income Up To	Percentage
-0-	Income Eligibility Limit	4.0%
Income Eligibility Limit	150% <u>235%</u> of Income Eligibility Limit	5.0%

8"
 9 **SECTION 1.3.** G.S. 105-277.1 reads as rewritten:
 10 **"§ 105-277.1. Elderly or disabled property tax homestead exclusion.**

11 ...
 12 (b) Definitions. – The following definitions apply in this section:

13 ...
 14 (3a) Property tax relief. – The property tax homestead exclusion provided in this
 15 section, the property tax homestead circuit breaker provided in
 16 G.S. 105-277.1B, ~~or~~ the disabled veteran property tax homestead exclusion
 17 provided in ~~G.S. 105-277.1C~~ G.S. 105-277.1C, or the local, State, and federal
 18 government employees property tax homestead exclusion provided in
 19 G.S. 105-277.1E.

20 ...
 21 (e) Other Multiple Owners. – This subsection applies to co-owners who are not husband
 22 and wife. Each co-owner of a permanent residence must apply separately for the exclusion
 23 allowed under this section.

24 When one or more co-owners of a permanent residence qualify for the exclusion allowed
 25 under this section and none of the co-owners qualifies for the exclusion allowed under
 26 ~~G.S. 105-277.1C~~, G.S. 105-277.1C or G.S. 105-277.1E, each co-owner is entitled to the full
 27 amount of the exclusion allowed under this section. The exclusion allowed to one co-owner may
 28 not exceed the co-owner's proportionate share of the valuation of the property, and the amount
 29 of the exclusion allowed to all the co-owners may not exceed the exclusion allowed under this
 30 section.

31 When one or more co-owners of a permanent residence qualify for the exclusion allowed
 32 under this section and one or more of the co-owners qualify for the exclusion allowed under
 33 ~~G.S. 105-277.1C~~, G.S. 105-277.1C or G.S. 105-277.1E, each co-owner who qualifies for the
 34 exclusion under this section is entitled to the full amount of the exclusion. The exclusion allowed
 35 to one co-owner may not exceed the co-owner's proportionate share of the valuation of the
 36 property, and the amount of the exclusion allowed to all the co-owners may not exceed the greater
 37 of the exclusion allowed under this section and the exclusion allowed under
 38 ~~G.S. 105-277.1C~~ G.S. 105-277.1C or G.S. 105-277.1E."

39 **SECTION 1.4.** G.S. 105-277.1C reads as rewritten:
 40 **"§ 105-277.1C. Disabled veteran property tax homestead exclusion.**

41 ...
 42 (e) Other Multiple Owners. – This subsection applies to co-owners who are not husband
 43 and wife. Each co-owner of a permanent residence must apply separately for the exclusion
 44 allowed under this section.

45 When one or more co-owners of a permanent residence qualify for the exclusion allowed
 46 under this section and none of the co-owners qualifies for the exclusion allowed under ~~G.S.~~
 47 ~~105-277.1~~, G.S. 105-277.1 or G.S. 105-277.1E, each co-owner is entitled to the full amount of
 48 the exclusion allowed under this section. The exclusion allowed to one co-owner may not exceed
 49 the co-owner's proportionate share of the valuation of the property, and the amount of the
 50 exclusion allowed to all the co-owners may not exceed the exclusion allowed under this section.

1 When one or more co-owners of a permanent residence qualify for the exclusion allowed
2 under this section and one or more of the co-owners qualify for the exclusion allowed under ~~G.S.~~
3 ~~105-277.1~~, G.S. 105-277.1 or G.S. 105-277.1E, each co-owner who qualifies for the exclusion
4 allowed under this section is entitled to the full amount of the exclusion. The exclusion allowed
5 to one co-owner may not exceed the co-owner's proportionate share of the valuation of the
6 property, and the amount of the exclusion allowed to all the co-owners may not exceed the greater
7 of the exclusion allowed under this section and the exclusion allowed under ~~G.S.~~
8 ~~105-277.1~~G.S. 105-277.1 or G.S. 105-277.1E.

9"

10 **SECTION 1.5.** This Part is effective for taxes imposed for taxable years beginning
11 on or after July 1, 2022.

12
13 **PART II. AFFORDABLE HOUSING FUNDING**

14 **SECTION 2.1.** Notwithstanding G.S. 143C-5-2, there is appropriated from the
15 General Fund to the Housing Finance Agency the sum of thirty-five million dollars (\$35,000,000)
16 in recurring funds for the 2022-2023 fiscal year to be used for the Workforce Housing Loan
17 Program, established under G.S. 122A-5.15.

18 **SECTION 2.2.** Notwithstanding G.S. 143C-5-2, there is appropriated from the
19 General Fund to the North Carolina Housing Trust Fund the sum of fifty million dollars
20 (\$50,000,000) in additional recurring funds for the 2022-2023 fiscal year to be administered in
21 accordance with the provisions of Chapter 122E of the General Statutes.

22 **SECTION 2.3.** This Part becomes effective July 1, 2022.

23
24 **PART III. EFFECTIVE DATE**

25 **SECTION 3.1.** Except as otherwise provided, this act is effective when it becomes
26 law.