GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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**SENATE BILL 882**

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| Short Title: | Middle Class Homeowner Protection Act. | (Public) |
| Sponsors: | Senators Chaudhuri, Batch, and Mohammed (Primary Sponsors). | |
| Referred to: | Rules and Operations of the Senate | |

May 27, 2022

A BILL TO BE ENTITLED

AN ACT TO EXPAND THE PROPERTY TAX HOMESTEAD EXCLUSION TO INCLUDE LOCAL, STATE, AND FEDERAL GOVERNMENT EMPLOYEES, TO REMOVE THE AGE AND DISABILITY REQUIREMENTS AS CONDITIONS FOR QUALIFICATION UNDER THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER, TO INCREASE THE INCOME ELIGIBILITY LIMIT UNDER THE PROPERTY TAX HOMESTEAD CIRCUIT BREAKER, AND TO PROVIDE ADDITIONAL FUNDING FOR THE WORKFORCE HOUSING LOAN PROGRAM AND THE NORTH CAROLINA HOUSING TRUST FUND.

The General Assembly of North Carolina enacts:

**PART I. HOMESTEAD TAX CHANGES**

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

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

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

(a1) Temporary Absence. – An otherwise qualifying owner does not lose the benefit of this exclusion 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.

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

(1) The owner received income from one or more local, State, or federal government retirement plans for at least 20 years of creditable service.

(2) The owner's income does not exceed the income eligibility limit, as calculated pursuant to G.S. 105-277.1.

(3) The owner is a North Carolina resident.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) The owner is a North Carolina resident.

(e) Multiple Owners. – A permanent residence owned and occupied by husband and wife is entitled to the full benefit of the property tax homestead circuit breaker notwithstanding that only one of them meets the ~~length of occupancy and ownership~~ requirements ~~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 the principal amount of tax that is imposed for the current tax year on his or her permanent residence and exceeds the percentage of the qualifying owner's income 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.

| **Income Over** | **Income Up To** | **Percentage** |
|---|---|---|
| -0- | Income Eligibility Limit | 4.0% |
| Income Eligibility Limit | ~~150%~~ 235% of Income Eligibility Limit | 5.0% |

…."

**SECTION 1.3.** G.S. 105-277.1 reads as rewritten:

"**§ 105-277.1. Elderly or disabled property tax homestead exclusion.**

…

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

…

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

…

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

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

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

**SECTION 1.4.** G.S. 105-277.1C reads as rewritten:

"**§ 105-277.1C. Disabled veteran property tax homestead exclusion.**

…

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

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

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

…."

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

## PART II. AFFORDABLE HOUSING FUNDING

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

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

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

## PART III. EFFECTIVE DATE

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