GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 84

Short Title: Index Homestead Exemption. (Public)

Sponsors: Senators Barker; Basnight, Cobb, Conder, Daniel, Johnson of Wake, Martin of Pitt, Parnell, Rauch, Richardson, Sands, and Swain.

Referred to: Judiciary III.

February 1, 1989

A BILL TO BE ENTITLED

AN ACT TO INDEX THE AMOUNT OF THE PROPERTY TAX HOMESTEAD EXEMPTION AND THE AMOUNT OF THE INCOME THRESHOLD FOR ELIGIBILITY FOR THE EXEMPTION.

The General Assembly of North Carolina enacts:

Section 1. G.S. 105-277.1 reads as rewritten:

"**§ 105-277.1. Property classified for taxation at reduced valuation.**

(a) ~~The following class of property~~ Real property or a mobile home owned and occupied by a qualifying owner as his permanent residence 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. ~~shall be assessed for taxation as follows.~~ The assessed value of classified property equal to the index amount is exempt from taxation. The index amount will be fifteen thousand dollars ($15,000) for each county until the county's next revaluation of real property. Upon the effective date of a county's revaluation, the index amount for that county shall increase in proportion to the average increase in the market value of residential property values in the county, as determined by the Department of Revenue pursuant to G.S. 105-289(j), rounded to the nearest one hundred dollars ($100.00). The index amount will remain the same in the county until its next revaluation of real property. ~~The first twelve thousand dollars ($12,000) in assessed value of real property, or a mobile home, owned by a North Carolina resident and occupied by the owner as his permanent residence shall not be assessed for taxation if, as of January 1 of the year for which the benefit of this section is claimed:~~

~~(1) The owner is either 65 years of age or older or is totally and permanently disabled; and~~

~~(2) The owner's disposable income for the preceding calendar year did not exceed eleven thousand dollars ($11,000); and~~

~~(3) The owner makes the required application.~~

~~For married applicants residing with their spouses, the disposable income of both spouses must be included, whether or not the property is in both names.~~

The income eligibility amount will be eleven thousand dollars ($11,000) for taxable years beginning on or after January 1, 1990, and before January 1, 1991. For taxable years beginning on or after January 1, 1991, the income eligibility amount will be the amount for the preceding taxable year increased by the same percentage as the federal government increased the benefits under titles II and XVI of the Social Security Act, rounded to the nearest one hundred dollars ($100.00). The percentage increase for the benefits under titles II and XVI of the Social Security Act are based on the authority contained in 42 U.S.C. 415(i) and is published in the Federal Register on or before November 1 of the calendar year for which the increase is to be effective. The adjustment in the income eligibility amount shall be calculated by the Department of Revenue prior to December 1 for each taxable year preceding the start of the taxable year and notice of the change shall be sent by the Department to the tax assessors of each county.

(b) Definitions. – When used in this section, the following definitions shall apply:

(1) An ‘owner' of property means a person who holds legal or equitable title to the property, either individually or as a tenant by the entirety, a joint tenant, a tenant in common, a life estate or an estate for the life of another. Property owned and occupied by husband and wife as tenants by the entirety shall be entitled to the full benefit of this classification notwithstanding that only one of them meets the age or disability requirements herein provided. If the residence is a mobile home and is jointly owned by husband and wife, it shall be treated as property held by the entirety. When property is owned by two or more persons other than husband and wife and one or more of such owners qualifies for this classification, each qualifying owner shall be entitled to the full amount of the exclusion not to exceed his or her proportionate share of the valuation of the property. No part of an exclusion available to one co-owner may be claimed by any other co-owner and in no event shall the total exclusion allowed to a qualifying residence (including the household personal property therein) exceed ~~twelve thousand dollars ($12,000).~~ the index amount.

(2) ‘Disposable income' means adjusted gross income as defined for North Carolina income tax purposes in G.S. 105-141.3 plus all other moneys received from every source other than gifts or inheritances received from a spouse, lineal ancestors, or lineal descendants.

(3) ‘Permanent residence' means legal residence. It includes the dwelling, the dwelling site, not to exceed one acre, and related improvements. The dwelling may be a single family residence, a unit in a multi-family residential complex or a mobile home. Notwithstanding the occupancy requirements of this classification, an otherwise qualified applicant shall not lose the benefit of the 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 applicant's spouse or other dependent.

(4) A ‘totally and permanently disabled person' means one who has a physical or mental impairment which substantially precludes him from obtaining gainful employment and such impairment appears reasonably certain to continue without substantial improvement throughout his lifetime.

<u>(5) The ‘aggregate household income' means the total disposable income of all the persons maintaining a permanent residence in the household.</u>

<u>(6) A ‘qualifying owner' means an owner who, as of January 1 preceding the taxable year for which the benefit of this section is claimed:</u>

<u>a. Is a North Carolina resident;</u>

<u>b. Is at least 65 years old or is totally and permanently disabled;</u>

<u>c. Had an aggregate household income for the immediately preceding calendar year of not more than the income eligibility amount specified by the Department of Revenue; and</u>

<u>d. Made the application required by subsection (c) of this section.</u>

(c) Application. – Applications for the exclusions provided by this section are to be filed during the regular listing ~~period, but,~~ <u>period but</u> shall be accepted at any time up to and through April 15 of the calendar year for which they are to be effective. When property is owned by two or more persons other than husband and wife and one or more of them qualifies for this exclusion, each such owner shall apply separately for his or her proportionate share of the exclusion.

(1) Elderly Applicants. – Persons 65 years of age or older may apply for this exclusion by entering the appropriate information on a form made available by the assessor under G.S. 105-282.1.

(2) Disabled Applicants. – Persons who are totally and permanently disabled may apply for this exclusion by (i) entering the appropriate information on a form made available by the assessor under G.S. 105-282.1 and (ii) furnishing acceptable proof of their disability. Such proof shall be in the form of a certificate from a physician licensed to practice medicine in North Carolina or from a governmental agency authorized to determine qualification for disability benefits. After a disabled applicant has qualified for this classification, he or she shall not be required to furnish an additional certificate unless the

applicant's disability is reduced to the extent that the applicant could no longer be certified for the taxation at reduced valuation."

Sec. 2. G.S. 105-289 is amended by adding a new subsection to read:

"(j) To calculate the amount of the property tax homestead exemption provided in G.S. 105-277.1 and the amount of the income threshold for eligibility for the exemption. When a county conducts a revaluation, the Department shall estimate the average increase in the market value of that county's residential property since its last real property revaluation. To determine the amount of that county's homestead exemption, the Department shall increase the county's present homestead exemption amount in proportion to the average increase in the market value of residential property in the county. The Department shall notify the tax assessor of that county of the homestead exemption amount prior to March 31 of the year the revaluation becomes effective.

For taxable years beginning on or after January 1, 1991, the Department shall adjust the income eligibility amount prior to December 1 of the taxable year preceding the start of the taxable year. The income eligibility amount shall be the amount for the preceding taxable year increased by the same percentage that the federal government calculated the most recent cost-of-living increase for the benefits under titles II and XVI of the Social Security Act, rounded to the nearest one hundred dollars ($100.00). The percentage increase for the benefits under titles II and XVI of the Social Security Act are based on the authority contained in 42 U.S.C. 415(i) and is published in the Federal Register on or before November 1 of the calendar year for which the increase is to be effective. Notice of the change shall be sent by the Department to the county assessors of each county."

Sec. 3. This act is effective for taxable years beginning on or after January 1, 1990.