GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

H **1**

HOUSE BILL 1450

Short Title:	No Tax on Homes/Equal School Funding.	(Public)
Sponsors:	Representatives Ellis; Allen, Allred, Barbee, Brubaker, Buchanan, Capps, M. Crawford, Culp, Davis, Hill, Hunter, Justus, Morris, Rogers, Russell, Sexton, Warner, and G. Wilson.	
Referred to:	Finance.	

May 10, 2001

A BILL TO BE ENTITLED

AN ACT TO TRANSFER RESPONSIBILITY FOR FUNDING PUBLIC SCHOOL CONSTRUCTION FROM THE COUNTIES TO THE STATE, TO EXEMPT OWNER-OCCUPIED RESIDENCES FROM PROPERTY TAXES, AND TO LEVY AN INDIVIDUAL INCOME SURTAX TO REPLACE THE RESIDENTIAL PROPERTY TAX.

The General Assembly of North Carolina enacts:

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PART 1. STATE FUNDING OF PUBLIC SCHOOL CONSTRUCTION

SECTION 1. It is the intent of the General Assembly that the State surtax on individuals' income enacted by this act will replace the local property tax on individually owned residences repealed by this act. Accordingly, local government responsibility for public school capital needs will be eliminated and the State will use the proceeds of the surtax to provide an equitable system of funding public school construction statewide. In addition, this act requires the State to reimburse cities and towns for their loss of revenue due exempting residences from property tax.

PART 2. EXEMPT HOMES FROM PROPERTY TAX

SECTION 2.(a) G.S. 105-277.1 reads as rewritten:

"**§ 105-277.1. Property ~~classified for taxation at reduced valuation.~~<u>tax homestead exclusion.</u>**

(a) Exclusion. – ~~The following class of property~~A permanent residence owned and occupied by a North Carolina resident is designated a special class of property under Article V, Sec. 2(2) of the North Carolina Constitution and is excluded from taxation under this Subchapter. ~~shall be assessed for taxation in accordance with this section. The first twenty thousand dollars ($20,000) in appraised value of a permanent residence owned and occupied by a qualifying owner is excluded from taxation. 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) Is at least 65 years of age or totally and permanently disabled.~~

~~(2) Has an income for the preceding calendar year of not more than fifteen thousand dollars ($15,000).~~

~~(3) Is a North Carolina resident.~~

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. – ~~When used in this section, the following definitions shall apply:~~The following definitions apply in this section:

~~(1) Code. – The Internal Revenue Code, as defined in G.S. 105-228.90.~~

~~(1a) Income. – Adjusted gross income, as defined in section 62 of the Code, plus all other moneys received from every source other than gifts or inheritances received from a spouse, lineal ancestor, or lineal descendant. For married applicants residing with their spouses, the income of both spouses must be included, whether or not the property is in both names.~~

(1b) Owner. – A person who holds legal or equitable title, whether individually, as a tenant by the entirety, a joint tenant, or a tenant in common, or as the holder of a life estate or an estate for the life of another. A manufactured home jointly owned by husband and wife is considered property held by the entirety.

(2) Repealed by Session Laws 1993, c. 360, s. 1.

(2a) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 982, s. 20.

(3) Permanent residence. – A person's 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 manufactured home.

~~(4) Totally and permanently disabled. – A person is totally and permanently disabled if the person has a physical or mental impairment that substantially precludes him or her from obtaining gainful employment and appears reasonably certain to continue without substantial improvement throughout his or her life.~~

(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 April 15 preceding the tax year for which the exclusion is claimed. When property is owned by two or more persons other than husband and ~~wife and one or more of them qualifies for this exclusion,~~ wife, each occupying owner ~~shall~~ must 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. The 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.~~

(d) Multiple Ownership. – ~~A permanent residence owned and occupied by husband and wife as tenants by the entirety is entitled to the full benefit of this exclusion notwithstanding that only one of them meets the age or disability requirements of this section.~~ When a permanent residence is owned ~~and occupied~~ by two or more persons other than husband and wife and one or more of the owners ~~qualifies for this exclusion,~~ occupies the residence, each ~~qualifying~~ occupying owner is entitled to the ~~full amount of the exclusion not to exceed~~ exclusion for 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 may the total exclusion allowed for a permanent residence exceed the exclusion amount provided in this section.~~"

SECTION 2.(b) G.S. 105-277.1A reads as rewritten:

"**§ 105-277.1A. ~~Property classified for taxation at reduced valuation; duties of tax collectors; reimbursement of localities for portion of tax lost.~~Reimbursement of cities for property tax homestead exclusion.**

(a) On September 1, ~~1990,~~ 2002, the tax collector of each ~~county and the tax collector of each~~ city shall furnish to the Secretary of Revenue a list containing the name and address of each person within the city who has qualified in that year for the ~~exemption~~ property tax homestead exclusion provided in G.S. 105-277.1. The list shall also contain for each name the total amount of property ~~exempted,~~ excluded, the tax rate the property is subject to, and the product obtained by multiplying those two numbers by each other. The lists ~~shall~~ must be accompanied by an affidavit attesting to the accuracy of the list and ~~shall all~~ be on a form prescribed by the Secretary of Revenue.

~~(a1) On December 1, 1997, the tax collector of each county and the tax collector of each city shall furnish to the Secretary of Revenue two lists containing the name and address of each taxpayer who has qualified in that year for the exemption provided in G.S. 105-277.1. The first list shall include those taxpayers whose income was above eleven thousand dollars ($11,000) and the second list shall include those taxpayers~~

~~whose income was eleven thousand dollars ($11,000) or less. On the first list, the tax collector shall provide for each name the total amount of property exempted and on the second list, the tax collector shall provide for each name the amount of property above fifteen thousand dollars ($15,000) exempted. On both lists, the tax collector shall provide the tax rate the property is subject to and the product obtained by multiplying the tax rate by the amount of property. The lists shall be accompanied by an affidavit attesting to the accuracy of the list and shall be on a form prescribed by the Secretary of Revenue.~~

(b) Repealed by 1996, Second Extra Session, c. 18, s. 15.1(c).

(c) The Secretary of Revenue may, for cause, grant an extension for the submission of a list required by this section.

(d) Before May 31, ~~1991,~~ 2003, the Secretary of Revenue ~~shall~~ must distribute to ~~the county or~~ each city ~~fifty percent (50%) of~~ the total for the ~~entire~~ list provided pursuant to subsection (a) of this section of the product obtained by multiplying the tax ~~exemption~~ exclusion for each taxpayer times the applicable tax rate. Each year thereafter, on or before May 31, the Secretary of Revenue shall pay to each ~~county and~~ city that was entitled to receive a distribution under this subsection in ~~1991~~ 2003 the amount it was entitled to receive in ~~1991.~~ the previous May 31 increased or decreased by the same percentage of this amount as the percentage by which the consumer price index for housing increased or decreased for the preceding calendar year, rounded to the nearest one hundred dollars ($100.00). As used in this section, the term 'consumer price index' means the United States Consumer Price Index for All Urban Consumers, as published by the Bureau of Labor Statistics, United States Department of Labor.

~~(d1) Before May 31, 1998, the Secretary of Revenue shall distribute to the county or city fifty percent (50%) of the total for both lists provided the preceding December 1 pursuant to subsection (a1) of this section of the product obtained by multiplying the applicable tax rate times the amount listed for each taxpayer. Before May 31, 1999, the Secretary of Revenue shall pay to each county and city the amount it received under this subsection in 1998.~~

(e) Any funds received by any ~~county or~~ city pursuant to this section because the ~~county or~~ city was collecting taxes for another unit of government or special district shall be credited to the funds of that other unit or district in accordance with regulations issued by the Local Government Commission.

(f) In order to pay for the reimbursement under this section and the cost to the Department of Revenue of administering the reimbursement, the Secretary of Revenue shall draw from collections received under Part 1 of Article 4 of this Chapter an amount equal to the reimbursement and the cost of administration."

SECTION 2.(c) G.S. 105-309(f) and (g), 105-275(21), 105-487, and 105-502 are repealed.

PART 3. INDIVIDUAL INCOME SURTAX

SECTION 3. Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"**§ 105-134.2A. Surtax.**

(a) Tax. – In addition to the individual income tax imposed in G.S. 105-134.2, every taxpayer required to file a return under this Part must pay an income tax surtax equal to twenty-five percent (25%) of the tax payable by the taxpayer under G.S. 105-134.2 for the taxable year. This surtax is due at the time prescribed for filing income tax returns under this Part.

(b) Proceeds. – From the net proceeds of the tax levied in this section, the Secretary shall credit to the General Fund annually an amount equal to the amount distributed to cities under G.S. 105-277.1A during the previous fiscal year. The Secretary shall credit the remaining net proceeds of the tax levied in this section annually to the Department of Public Instruction to fund public school capital needs as provided in Chapter 115C of the General Statutes."

PART 4. EFFECTIVE DATES

SECTION 4. Part 2 of this act is effective for taxes imposed for taxable years beginning on or after July 1, 2002. Part 3 of this act is effective for taxable years beginning on or after January 1, 2002. The remainder of this act is effective when it becomes law.