

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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HOUSE BILL 168  
Committee Substitute Favorable 6/16/15  
Third Edition Engrossed 6/17/15  
PROPOSED SENATE COMMITTEE SUBSTITUTE H168-PCS30398-TM-36

Short Title: Exempt Builders' Inventory.

(Public)

Sponsors:

Referred to:

March 9, 2015

A BILL TO BE ENTITLED

AN ACT TO EXEMPT FROM PROPERTY TAX THE INCREASE IN VALUE OF REAL  
PROPERTY HELD FOR SALE BY A BUILDER, TO THE EXTENT THE INCREASE IS  
ATTRIBUTABLE TO SUBDIVISION OR IMPROVEMENTS BY THE BUILDER.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 105-273(3a) is reenacted and reads as rewritten:

"(3a) "Builder" means a taxpayer ~~licensed as a general contractor under G.S. 87-1~~  
~~and~~ engaged in the business of buying real property, making improvements  
to it, and then reselling it."

**SECTION 2.** Article 12 of Chapter 105 of the General Statutes is amended by  
adding a new section to read:

**"§ 105-277.02. Certain real property held for sale classified for taxation at reduced  
valuation.**

(a) Residential Real Property. – Residential real property held for sale by a builder is  
designated a special class of property under authority of Article V, Sec. 2(2) of the North  
Carolina Constitution. For purposes of this subsection, "residential real property" is real  
property that is intended to be sold and used as an individual's residence immediately or after  
construction of a residence, and the term excludes property that is either occupied by a tenant  
or used for commercial purposes such as residences shown to prospective buyers as models.  
Any increase in value of this classified property attributable to subdivision of, improvements  
other than buildings, or the construction of either a new single-family residence or a duplex on  
the property by the builder is excluded from taxation under this Subchapter as long as the  
builder continues to hold the property for sale. In no event shall this exclusion extend for more  
than three years from the time the improved property was first subject to being listed for  
taxation by the builder.

(b) Commercial Property. – Commercial real property held for sale by a builder is  
designated a special class of property under authority of Article V, Sec. 2(2) of the North  
Carolina Constitution. For purposes of this subsection, "commercial real property" is real  
property that is intended to be sold and used for commercial purposes immediately or after  
improvement. Any increase in value of this classified property attributable to subdivision of or  
other improvements made to the property, by the builder, is excluded from taxation under this  
Subchapter as long as the builder continues to hold the property for sale. The exclusion  
authorized by this subsection ends at the earlier of the following:



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- 1           (1)   Five years from the time the improved property was first subject to being
- 2                   listed for taxation by the builder.
- 3           (2)   Issuance of a building permit.
- 4           (3)   Sale of the property.
- 5       (c)   The builder must apply for any exclusion under this section annually as provided in
- 6 G.S. 105-282.1.
- 7       (d)   In appraising property classified under this section, the assessor shall specify what
- 8 portion of the value is an increase attributable to subdivision or other improvement by the
- 9 builder."
- 10       **SECTION 3.** This act is effective for taxes imposed for taxable years beginning on
- 11 or after July 1, 2016, and applies to subdivision of or other improvements made on or after July
- 12 1, 2015.