

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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SENATE BILL 695
State and Local Government Committee Substitute Adopted 5/22/25
PROPOSED HOUSE COMMITTEE SUBSTITUTE S695-PCS15481-BAf-32

Short Title: Incent Development Finance District Funding.

(Public)

Sponsors:

Referred to:

March 26, 2025

1 A BILL TO BE ENTITLED
2 AN ACT TO GROW THE PROPERTY TAX BASE OF UNITS OF LOCAL GOVERNMENT
3 BY FACILITATING PRIVATE DEVELOPER INVOLVEMENT IN CERTAIN PROJECT
4 DEVELOPMENTS.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. Article 12 of Chapter 105 of the General Statutes is amended by adding
7 a new section to read:

8 **"§ 105-277.03. Incentive district property tax exclusion.**

9 (a) Classification. – Qualified development (i) located in an incentive district and (ii) held
10 for sale by a builder is designated a special class of property under Section 2(2) of Article V of
11 the North Carolina Constitution and is taxable in accordance with this section. Ninety percent
12 (90%) of the appraised value of property classified under this section is excluded from taxation.
13 Property receiving an exclusion under this section may not receive property tax relief under
14 G.S. 105-277.02.

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

16 (1) Incentive district. – An area (i) designated by a developer, (ii) submitted for
17 approval to the governing body of the unit of local government in which the
18 area is located, (iii) determined, by that governing body, to be an area for
19 which the unit could apply for project development financing debt instruments
20 pursuant to Article 6 of Chapter 159 of the General Statutes, and (iv) approved
21 by resolution of the governing body as an incentive district.

22 (2) Qualified development. – Land and any unoccupied improvement by a builder
23 to the land, other than remodeling, renovating, rehabilitating, or refinishing
24 existing structures or buildings.

25 (c) District Parameters. – The total land area within incentive districts in a local
26 government unit may not exceed five percent (5%) of the local government unit's total area. A
27 county may not include in an incentive district any land that, at the time the district is created, is
28 inside a municipality, unless the governing body of the municipality agrees by resolution to
29 include the land.

30 (d) County Review. – Before approving an incentive district within a municipality, the
31 governing body of the municipality shall send notice of the proposed district, by first-class mail,
32 to the board of county commissioners of the county or counties in which the incentive district is
33 located. The person mailing the notice shall certify that fact, and the date thereof, to the governing
34 body, and the certificate is conclusive in the absence of fraud. Unless the board of county
35 commissioners of any county in which the incentive district is located, by resolution, disapproves



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1 the proposed district within 28 days after the date the notice is mailed, the governing body may
2 proceed to approve the district.

3 (e) Expiration. – The exclusion authorized by this section ends at the earlier of the
4 following:

5 (1) Five years from the time the property first received the property tax benefit
6 provided by this section.

7 (2) Sale of the property.

8 (f) Application. – The builder must apply for the exclusion under this section as provided
9 in G.S. 105-282.1."

10 **SECTION 2.** G.S. 105-277.02 is amended by adding a new subsection to read:

11 "(e) Property receiving an exclusion under this section may not receive property tax relief
12 under G.S. 105-277.03."

13 **SECTION 3.** G.S. 105-282.1(a)(2)c. reads as rewritten:

14 "c. Special classes of property classified for taxation at a reduced
15 valuation under G.S. 105-277(h), 105-277.02, 105-277.03, 105-277.1,
16 105-277.1C, 105-277.10, 105-277.13, 105-277.14, 105-277.15,
17 105-277.17, or 105-278."

18 **SECTION 4.** This act is effective for taxes imposed for taxable years beginning on
19 or after July 1, 2027.