

# Governmental & Nonprofit Affiliated Property Tax Exemptions

---

---

---

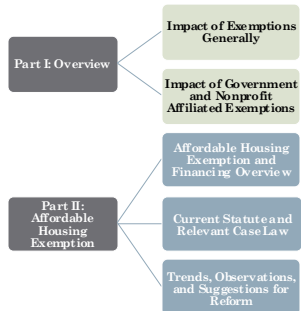
---

---

---

---

## Roadmap



2

---

---

---

---

---

---

---

## Part I: Overview

Brent Lucas  
Fiscal Research Division

3

---

---

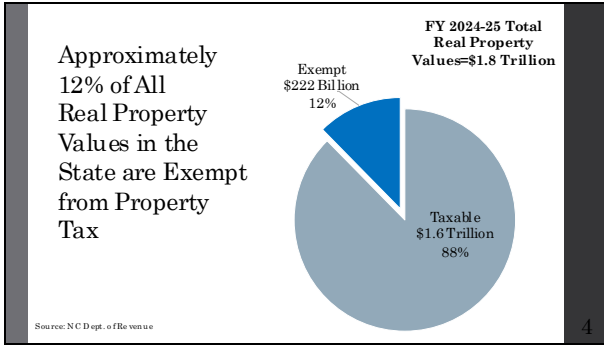
---

---

---

---

---




---

---

---

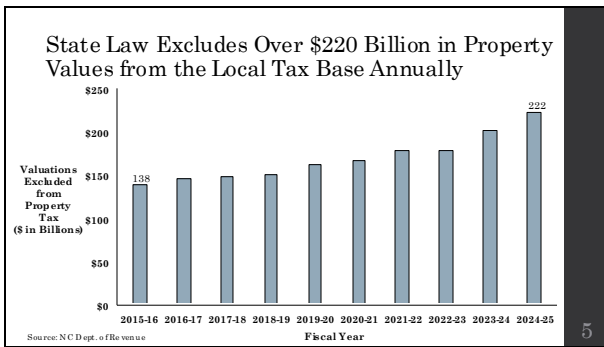
---

---

---

---

---




---

---

---

---

---

---

---

---

- Current State Law Provides Several Exemptions or Exclusions from Local Property Tax
- Governmental (Federal, State, Local)
  - Educational (Non-governmental)
  - Religious
  - Charitable-Nonprofit Hospital Property
  - Brownfields properties
  - Charitable-Homes for the Aged, Sick, and Infirm
  - Charitable-Nonprofit Low- and Moderate-Income Housing
  - Nonprofit historic preservation
  - Scientific, Literary, and Cultural
  - Builder's Inventory
  - Burial Property
  - Continuing Care Retirement Centers
  - Pollution Abatement and Recycling
  - American Legion, Lodges, etc.
  - Medical Care Commission Bonds
  - Legacy Airports
  - Solar Energy Electrical System
  - Others not listed
  - Homestead-Elderly and Disabled
  - Homestead-Disabled Veterans
- Discussed at previous meeting  
\*Does not include deferral programs (Agricultural Present-Use Value (PUV), etc.)
- 6

---

---

---

---

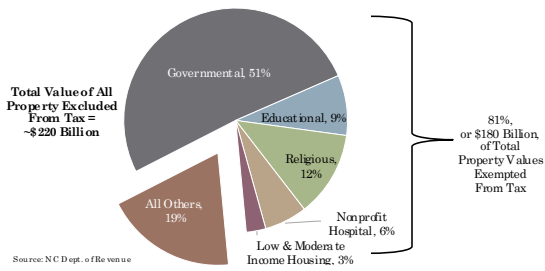
---

---

---

---

## 5 Exemptions Account for More Than 80% of All Property Values Excluded From Tax



7

---

---

---

---

---

---

---

---

## These 5 Exemptions Account for Over \$1.7 Billion in Foregone Local Revenue

\* All exclusions = \$2.1 Billion in foregone local revenue each year

Property Tax Exclusion or Exemption	Estimated Local Revenue Loss (\$)	Number of Counties with Exempt Property
Governmental	\$1.1B	100
Religious	\$255M	100
Educational (not governmental)	\$180M	89
Nonprofit Hospital Property	\$130M	75
Charitable-Nonprofit Low & Moderate Income Housing	\$60M	82
<b>Total of these 5 Exclusions or Exemptions</b>	<b>\$1.7B</b>	-

Source: NC Dept. of Revenue

8

---

---

---

---

---

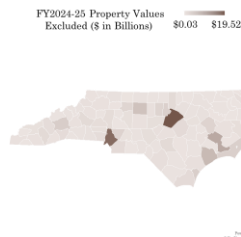
---

---

---

## Governmental Property

Legal Authority	NC Constitution, Art. V, Sec. 2(6); G.S. 105-278.1
Examples	Fort Bragg, post offices, county courthouses, LOB, State Capital, Municipal Fire Station
Total Property Values Excluded	\$113 Billion
Total Estimated Local Revenue Loss	\$1.1 Billion
Top 5 Counties in Per Capita Valuations	Hyde, Craven, Dare, Carteret, Swain



9

---

---

---

---

---

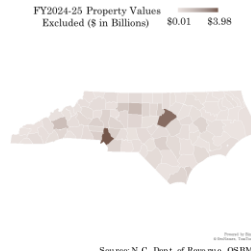
---

---

---

## Religious Property

<b>Legal Authority</b>	G.S. 105-278.3
<b>Examples</b>	Church buildings, Fellowship Halls
<b>Total Property Values Excluded</b>	\$28 Billion
<b>Total Estimated Local Revenue Loss</b>	\$255 Million
<b>Top 5 Counties in Per Capita Valuations</b>	Macon, Chowan, Transylvania, Mitchell, Sampson



10

---

---

---

---

---

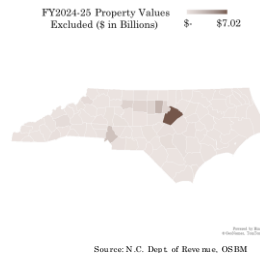
---

---

---

## Educational Property (nongovernmental)

<b>Legal Authority</b>	G.S. 105-278.4
<b>Examples</b>	Private college/university buildings and land (e.g., Campbell, Catawba, Shaw, Wake Forest, Duke, nonprofit private schools)
<b>Total Property Values Excluded</b>	\$19 Billion
<b>Total Estimated Local Revenue Loss</b>	\$180 Million
<b>Top 5 Counties in Per Capita Valuations</b>	Orange, Watauga, Wake, Transylvania, Avery



11

---

---

---

---

---

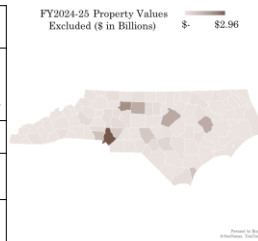
---

---

---

## Nonprofit Hospitals

<b>Legal Authority</b>	G.S. 105-278.8
<b>Examples</b>	Atrium Health Carolina's Medical, Atrium Health Wake Forest Baptist, FirstHealth Moore Regional, Carteret General Hospital
<b>Total Property Values Excluded</b>	\$14 Billion
<b>Total Estimated Local Revenue Loss</b>	\$130 Million
<b>Top 5 Counties in Per Capita Valuations</b>	Pitt, Moore, Forsyth, Hoke, Gaston



12

---

---

---

---

---

---

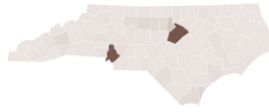
---

---

## Nonprofit Low- and Moderate-Income Housing

Legal Authority	G.S. 105-278.6(8)
Examples	N.C. low-income housing apartment development
Total Property Values Excluded	\$6.3 Billion
Total Estimated Local Revenue Loss	\$90 Million
Top 5 Counties in Per Capita Valuations	Wake, Mecklenburg, Durham, New Hanover, Guilford

FY2024-25 Property Values Excluded (\$ in Billions) \$- \$1.80



Source: N.C. Dept. of Revenue, OSBM

13

---

---

---

---

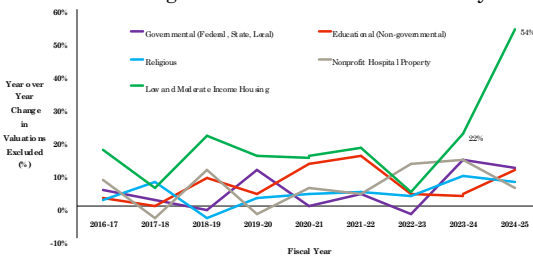
---

---

---

---

## Sizable Increase in Nonprofit Low- and Moderate-Income Housing Exclusion Valuations Recently



Source: N.C. Dept. of Revenue

14

---

---

---

---

---

---

---

---

## Part II: Nonprofit Affordable Housing Exemption

15

---

---

---

---

---

---

---

---

# Affordable Housing & Financing Overview

Scott Farmer  
Executive Director  
Housing Finance Agency

16

---

---

---

---

---

---

---

---

## Housing Affordability in North Carolina

North Carolina Housing Finance Agency  
House Select Committee on Property Tax Reduction and Reform  
January 14, 2026



---

---

---

---

---


---


---

---

### Our Mission

*To provide safe, affordable housing opportunities to enhance the quality of life of North Carolinians.*





---

---

---

---

---





---

---

---

### What is Affordable Housing?

*Affordable housing can refer to anything from apartments for seniors on a fixed income to a five-bedroom single-family house.*

-  HUD defines "housing affordability" as a household paying no more than 30% of their income for housing.
-  Households spending more than 30% of their income are considered housing "cost burdened".
-  Most federal and public resources target 80% Area Median Income (AMI) and below.
-  Generally, **Affordable Housing** is housing affordable to households earning 80% of the Area Median Income or less.



Pine Ridge, Garner

---

---

---

---

---

---

---

---

### Federal Low Income Housing Tax Credit (LIHTC)



Springfield Park, Jacksonville

- Federal tax credit that provides a tax-incentive to construct or rehabilitate affordable rental housing to eligible development entities under the state's Qualified Allocation Plan (QAP)
- Section 42 of the Internal Revenue Code
- LIHTC accounts for 98% of all affordable rental housing development in the United States
- Created by 1986 federal Tax Reform legislation, strengthened in the 2017 Tax Cuts and Jobs Act, expanded and strengthened again in the 2025 Omnibus (OBBA)
- Operated independently by each state and US territory's allocating agency (HFA)

---

---

---

---

---

---

---

---



Ferris, Concord

- Developments are privately owned and privately managed
- Sponsors compete for a LIHTC award based on the rules prescribed in the state's Qualified Allocation Plan (QAP)
- Development sponsors can be for-profit or non-profit entities (federal law requires a minimum 10% non-profit participation of total allocation)

---

---

---

---

---


---

---

---

### How Does LIHTC Create Affordability?

- Proposals from development sponsors receiving LIHTC sell the credits to an investor to generate equity, thus reducing the debt payments on the property
- The investor becomes the majority owner for 15 years (as prescribed by the IRS) to claim the federal tax credit over a 10 year period
- In exchange, the owners agree to keep rents affordable for households making 80% Area Median Income or below for the next 30 years



Valley River, Murphy

**NORTH CAROLINA HOUSING**  
HousingBuildsNC.com

---

---

---

---

---

---

---

---

### Ensuring Affordability

- NCHFA records a deed restriction called a Land Use Restriction Agreement (LURA) that specifically states the terms of affordability for the property
- The LURA provides a legal instrument for any interested party to enforce the terms of affordability
- The IRS may recapture the tax benefit if the property is out of compliance within the first 15 years
- NCHFA monitors the property for compliance for 30 years, as well as the investor and any other funders



Riverstone Crossing, Winston

**NORTH CAROLINA HOUSING**  
HousingBuildsNC.com

---

---

---

---

---

---

---

---

## Current Law & Blue Ridge Housing Case

Trina Griffin  
Legislative Analysis  
Division

24

---

---

---

---

---

---

---

---



## Charitable Purpose Exemption G.S. 105-278.6

Real and personal property owned by:

- (1) A Young Men's Christian Association or similar organization;
- (2) A home for the aged, sick, or infirm;
- (3) An orphanage or similar home;
- (4) A Society for the Prevention of Cruelty to Animals;
- (5) A reformatory or correctional institution;
- (6) A monastery, convent, or nunnery;
- (7) A nonprofit, life-saving, first aid, or rescue squad organization;
- (8) **A nonprofit organization providing housing for individuals or families with low or moderate incomes**

shall be exempted from taxation if: (i) As to real property, it is actually and exclusively occupied and used, and as to personal property it is entirely and completely used, by the owner for charitable purposes; and (ii) the owner is not organized or operated for profit.

25

---

---

---

---

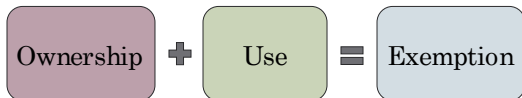
---

---

---

---

## Two Requirements



26

---

---

---

---

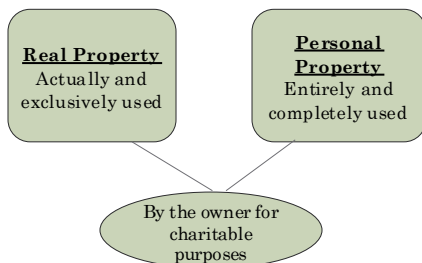
---

---

---

---

## Use Requirement



27

---

---

---

---

---

---

---

---

## Use "Exceptions"

Actually  
Used

BUT

### Future Use

A nonprofit may hold property for up to 10 years as a future site for low-income housing, with taxes being deferred and lien on property.

Exclusively  
Used

BUT

### Partial Exemption Permitted

The portion of the property that qualifies shall be exempted even if the entire property does not.

28

---

---

---

---

---

---

---

---

## Charitable Purpose

One that has humane and philanthropic objectives; an activity that benefits humanity or a significant, rather than limited, segment of the community without expectation of pecuniary profit or reward.

29




---

---

---

---

---

---

---

---

**501(c)(3)  
Nonprofit  
Charitable  
Organization**



## Ownership Requirement

- Statute does not define.
- States only that owner "is not organized or operated for profit."
- What percentage of ownership is sufficient?
  - Must it be 100% or are there situations where less than 100% is appropriate?

30

---

---

---

---

---

---

---

---




---

---

---

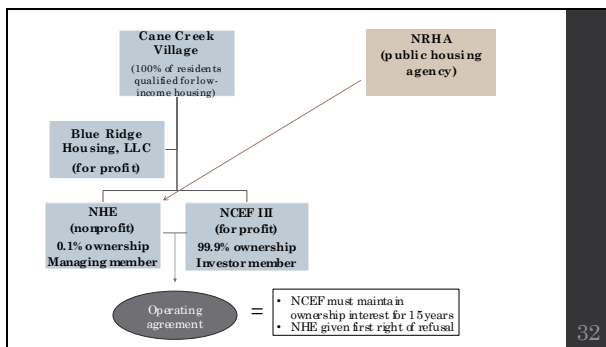
---

---

---

---

---




---

---

---

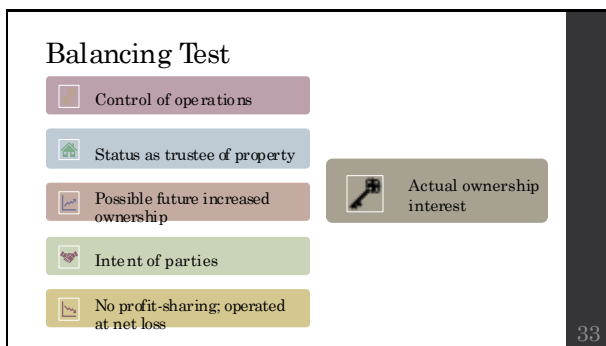
---

---

---

---

---




---

---

---

---

---

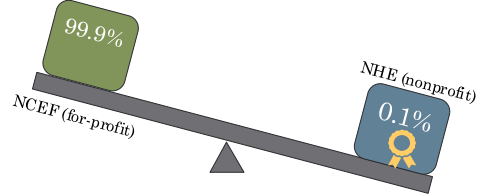
---

---

---

## Outcome

The Court applied this test and concluded that the nonprofit, NHE, owned the property for tax purposes, despite the fact that it only owned 0.1% of the corporation that held legal title to the property.



34

---

---

---

---

---

---

---

---

## The Takeaway...See Footnote

"Since the instant case clarifies the definition of "ownership" for tax exemption purposes, County Boards shall now apply G.S. 105-278.6(a)(8) accordingly when determining exemptions for Cane Creek Village or other similarly situated properties."



35

---

---

---

---

---

---

---

---

## Right Result, But Problematic



- Observers tend to agree that this was a reasonable and desirable result given the fact pattern.
- The nonprofit initiated development of the project and only partnered with the for-profit for financing.
- The nonprofit did in fact manage operations and had a long-term ownership interest consistent with its affordable housing mission.
- The 1%/99.9% ownership structure is standard under the LIHTC framework.
- LIHTC framework ensures long-term governmental oversight by IRS and state housing agencies.
- However, a broad interpretation of the case, a lack of statutory guidance, and administrability issues could result in self-dealing, unanticipated local revenue loss, and lack of long-term affordable housing.

36

---

---

---

---

---

---

---

---

## Issues

- No definition of ownership.
- No definition of "low or moderate income."
- No length of ownership or deed restriction requirements.
- No regular verification (G.S. 105-278.6 exemption is a "single application").
- No minimum for partial exemption (i.e., minimum number of units required to meet affordability standard).
- Not tied to participation in federal LIHTC program or other governmental oversight.
- Administratively difficult for tax administrators to apply judicial test.
- Potential for lack of uniformity/standardization among counties.

37

---

---

---

---

---

---

---

## Trends, Observations, & Suggestions for Reform

David Baker, Director  
of Tax and Revenue  
Outreach, NCACC

Ben Justus, Executive  
Staff, Self-Help  
Credit Union

38

---

---

---

---

---

---

---



## Nonprofit Low- and Moderate- Income Housing Exemption County Perspective

David B. Baker, Director of Tax and Finance Outreach

January 14, 2026

ncacc.org

---

---

---

---

---

---

---

## 2025 Foregone County Revenue



- Foregone revenue in all 100 counties totals over \$53 million
  - Does not include special district or municipal taxes
- Over 96% of properties are located in a municipality
- Total foregone revenue for all local governments is between \$80-100 million

---

---

---

---

---

---

---

---

## Sample of Foregone County Revenue



County	2025 Foregone Revenue
Alamance	\$966,690
Brunswick	\$435,556
Davidson	\$230,311
Forsyth	\$854,190
Guilford	\$2,205,917
Jackson	\$35,318
Madison	\$63,807
Moore	\$83,470
Rockingham	\$61,650
Union	\$150,654
Wake	\$13,489,935
Wayne	\$102,846
<b>Total</b>	<b>\$18,680,344</b>

---

---

---

---

---

---

---

---

## Sample of Properties Exempted



County	2021	2025
Alamance	0	7
Brunswick	20	27
Davidson	50	60
Forsyth	1	4
Guilford	166	186
Jackson	10	15
Madison	19	22
Moore	16	26
Rockingham	22	25
Union	4	17
Wake	69	137
Wayne	0	3

**Increase in  
number of  
exemptions  
between 2021  
and 2025**

---

---

---

---

---

---

---

---

## Blue Ridge Housing Exemptions



### Sample of Properties Exempted Under Blue Ridge Housing Case

County	Number of Properties	Exempted Value	2025 Foregone County Revenue
Alamance	7	\$112,729,488	\$56,884
Moore	4	\$13,892,390	\$35,981
Stanly	3	\$7,448,939	\$37,990
Wayne	3	\$16,431,660	\$102,846

---

---

---

---

---

---

---

---

## Blue Ridge Housing Exemptions



### Wake County Properties Exempted Under Blue Ridge Housing Case

Year	Exempted Value	Foregone County Revenue
2021	\$289,993,674	\$1,739,962
2025	\$2,204,668,044	\$11,400,338

---

---

---

---

---

---

---

---

## Blue Ridge Housing Exemptions



### 12 Properties Pending Appeal in Forsyth County

Potential Exempted Value	Potential Foregone County Revenue
\$195,585,800	\$1,047,310

---

---

---

---

---

---

---

---

## Policy Considerations



- Define ownership
- Define low- and moderate-income
- Review exemption amount, currently 100% (Homestead exclusion is 50%)
- Require annual application process that requires reporting number of low-income units
- Determine relationship between the benefit provided to people and amount of property tax relief

---

---

---

---

---

---

---



## Thank You! / Questions?

David B. Baker  
david.baker@ncacc.org

For more information about the North Carolina Association of County Commissioners (NCACC), visit [ncacc.org](http://ncacc.org)

---

---

---

---

---

---

---



## North Carolina Property Tax Exemption for Affordable Housing

House Select Committee on Property Tax Reduction and Reform  
January 14, 2026

Developed by Self-Help Economic Opportunity for All 68

---

---

---

---

---

---

---



---

---

---

---

---

---

---

---

---

---

---

---





Self-Help

 Self-Help