



## HOUSE BILL 2: Provide Certain Property Tax Relief.

2017-2018 General Assembly

|                       |   |                     |                |
|-----------------------|---|---------------------|----------------|
| <b>Committee:</b>     | House Finance                             | <b>Date:</b>        | March 28, 2017 |
| <b>Introduced by:</b> | Reps. Dollar, Saine, Hardister, R. Turner | <b>Prepared by:</b> | Greg Roney     |
| <b>Analysis of:</b>   | PCS to Second Edition                     |                     | Staff Attorney |
|                       | H2-CSTM-4                                 |                     |                |

**OVERVIEW:** *The Proposed Committee Substitute (PCS) for House Bill 2 would increase the disabled veteran property tax homestead exclusion from \$45,000 to \$100,000 and would reimburse local governments for the revenue lost from valuations above \$45,000.*

*The PCS would also create a new unlimited property tax homestead exclusion for the unmarried surviving spouse of an emergency personnel officer killed in the line of duty.*

*Compared to the second edition of House Bill 2, the PCS makes 1 substantive change: replaces the unlimited disabled veteran property tax homestead exclusion with a \$100,000 maximum exclusion (current law has \$45,000 maximum exclusion).*

**CURRENT LAW:** G.S. 105-277.1C allows a property tax exclusion for disabled veterans equal to the first \$45,000 of appraised value of a permanent residence. Permanent residence includes: the dwelling, dwelling site not to exceed 1 acre, and related improvements. A residence may be a single family residence, a unit in a multi-family residential complex, or a manufactured home.

To qualify for this exclusion, the taxpayer must have a total and permanent service-connected disability or be the unmarried surviving spouse of a disabled veteran. A taxpayer is totally and permanently disabled when the taxpayer has a physical or mental impairment that substantially precludes obtaining gainful employment and appears reasonably certain to continue without substantial improvement throughout life.

### **BILL ANALYSIS:**

#### **Increase the Disabled Veteran Property Tax Homestead Exclusion from \$45,000 to \$100,000**

The PCS for House Bill 2 would increase the property tax exclusion for disabled veterans from the first \$45,000 of value to the first \$100,000 of value. The PCS would make hold harmless payments to reimburse local governments for the loss of tax revenue due to the increased exclusion (i.e., local governments are not reimbursed for the first \$45,000 of value).

To receive a reimbursement, a county tax assessor must notify the Secretary of Revenue (Secretary) of the county's total hold harmless amount by September 1 of each year. The hold harmless amount is the assessed value over \$45,000 of a property excluded from taxation, multiplied by the applicable local tax rate. The total hold harmless amount is the sum of the county hold harmless amount and city hold harmless amounts. If the county fails to notify the Secretary by September 1, the county is barred from receiving a reimbursement.

The Secretary disburses the hold harmless amounts on or before December 31 of each year. A county must distribute to a city any funds received attributable to that city. Also, if a county or city is collecting

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taxes on behalf of another unit of government, the funds must be credited to that unit in accordance with Local Government Commission regulations.

The Secretary is authorized to draw the reimbursement amount and cost of administration from collections received for individual income tax.

## **Unlimited Property Tax Homestead Exclusion for the Unmarried Surviving Spouse of an Emergency Personnel Officer Killed in the Line of Duty**

The PCS for House Bill 2 would create an unlimited property tax exclusion for the unmarried surviving spouse of emergency personnel officer killed in the line of duty. The PCS does not reimburse local governments for lost revenue related to the new property tax homestead exclusion.

"Emergency personnel officer" includes:

- Firefighters
- Search and rescue personnel
- Emergency medical services personnel
- Law enforcement personnel employed by any duly accredited State or local government agency with the authority to enforce State criminal laws. The personnel must be actively serving in a position with assigned primary duties for prevention and detection of crime or general law enforcement and have the authority to arrest.

**EFFECTIVE DATE:** The PCS for House Bill 2 would be effective for taxes imposed for taxable years beginning on or after July 1, 2017.

*Nicholas Giddings with the Legislative Analysis Division substantially contributed to this summary.*